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 September 30, 2024

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.)

4436 Lebec Road, P.O. Box 1000, Lebec, 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 October 31, 2024 was 26,822,768.

TEJON RANCH CO. AND SUBSIDIARIES
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Glossary

The following initialisms or acronyms may be used in this document and shall be defined as set forth below:

AKIP	Advance Kern Incentive Program
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AVEK	Antelope Valley East Kern Water Agency
CFL	Centennial Founders, LLC
CBD	Center for Biological Diversity
CEQA	California Environmental Quality Act
CFD	Community Facilities District
CNPS	California Native Plant Society
EBITDA	Earnings Before Interest Taxes Depreciation and Amortization
EIR	Environmental Impact Report
FTZ	Foreign Trade Zone
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse Gas
MV	Mountain Village at Tejon Ranch
NOI	Net Operating Income
PEF	Pastoria Energy Facility, LLC
RCL	Revolving Credit Line
RWA	Tejon Ranch Conservation and Land Use Agreement
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SWP	State Water Project
TCWD	Tejon-Castac Water District
TRCC	Tejon Ranch Commerce Center
TRPFFA	Tejon Ranch Public Facilities Financing Authority
WRMWSD	Wheeler Ridge Maricopa Water Storage District

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 27,369	$ 31,907
Marketable securities - available-for-sale	13,892	32,556
Accounts receivable	2,783	8,352
Inventories	7,550	3,493
Prepaid expenses and other current assets	4,053	3,502
Total current assets	55,647	79,810
Real estate and improvements - held for lease, net	16,340	16,609
Real estate development (includes $123,302 at September 30, 2024 and $119,788 at December 31, 2023, attributable to CFL (Note 14))	374,341	337,257
Property and equipment, net	56,760	53,985
Investments in unconsolidated joint ventures	34,429	33,648
Net investment in water assets	56,024	52,130
Other assets	4,496	4,084
TOTAL ASSETS	$ 598,037	$ 577,523
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 11,283	$ 6,457
Accrued liabilities and other	6,565	3,214
Deferred income	1,721	1,891
Total current liabilities	19,569	11,562
Revolving line of credit	59,942	47,942
Long-term deferred gains	11,447	11,447
Deferred tax liability	8,282	8,269
Other liabilities	15,114	15,207
Total liabilities	114,354	94,427
Commitments and contingencies (Note 11)		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, $0.50 par value per share:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 26,814,680 at September 30, 2024 and 26,770,545 at December 31, 2023	13,408	13,386
Additional paid-in capital	347,939	345,609
Accumulated other comprehensive loss	(142)	(171)
Retained earnings	107,115	108,908
Total Tejon Ranch Co. Stockholders' Equity	468,320	467,732
Non-controlling interest	15,363	15,364
Total equity	483,683	483,096
TOTAL LIABILITIES AND EQUITY	$ 598,037	$ 577,523

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Real estate - commercial/industrial	$ 3,002	$ 3,397	$ 8,497	$ 8,706
Mineral resources	3,166	3,118	7,687	11,630
Farming	3,242	2,642	4,249	4,852
Ranch operations	1,446	1,052	3,518	3,384
Total revenues	10,856	10,209	23,951	28,572
Costs and Expenses:				
Real estate - commercial/industrial	2,088	2,137	6,005	5,517
Real estate - resort/residential	328	367	2,316	1,079
Mineral resources	1,812	2,000	5,043	6,991
Farming	6,252	2,157	9,406	5,644
Ranch operations	1,223	1,196	3,711	3,864
Corporate expenses	2,945	2,315	8,794	6,824
Total expenses	14,648	10,172	35,275	29,919
Operating (loss) income	(3,792)	37	(11,324)	(1,347)
Other Income:				
Investment income	528	700	1,843	1,775
Other (loss) income, net	(69)	(30)	(210)	272
Total other income, net	459	670	1,633	2,047
(Loss) income from operations before equity in earnings of unconsolidated joint ventures and income tax	(3,333)	707	(9,691)	700
Equity in earnings of unconsolidated joint ventures, net	3,329	1,161	7,611	4,616
(Loss) income before income tax	(4)	1,868	(2,080)	5,316
Income tax expense (benefit)	1,832	2,215	(286)	3,619
Net (loss) income	(1,836)	(347)	(1,794)	1,697
Net loss attributable to non-controlling interest	—	(6)	(1)	(3)
Net (loss) income attributable to common stockholders	$ (1,836)	$ (341)	$ (1,793)	$ 1,700
Net (loss) income per share attributable to common stockholders, basic	$ (0.07)	$ (0.01)	$ (0.07)	$ 0.06
Net (loss) income per share attributable to common stockholders, diluted	$ (0.07)	$ (0.01)	$ (0.07)	$ 0.06

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income	$ (1,836)	$ (347)	$ (1,794)	$ 1,697
Other comprehensive income:				
Unrealized gain on available-for-sale securities	46	52	40	129
Unrealized gain on interest rate swap	—	1,734	—	2,019
Other comprehensive income before taxes	46	1,786	40	2,148
Income tax provision related to other comprehensive income items	(13)	(500)	(11)	(601)
Other comprehensive income	33	1,286	29	1,547
Comprehensive (loss) income	(1,803)	939	(1,765)	3,244
Comprehensive loss attributable to non-controlling interests	—	(6)	(1)	(3)
Comprehensive (loss) income attributable to common stockholders	$ (1,803)	$ 945	$ (1,764)	$ 3,247

See accompanying notes.

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

	Nine Months Ended September 30,	
	2024	2023
Operating Activities		
Net (loss) income	$ (1,794)	$ 1,697
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	3,137	3,003
Amortization of discount of marketable securities	(425)	(442)
Equity in earnings of unconsolidated joint ventures, net	(7,611)	(4,616)
Non-cash retirement plan expense	267	200
Profit from water sales[1]	—	(490)
(Gain) loss on sale of property plant and equipment	(8)	59
Deferred income taxes	3	—
Stock compensation expense	4,086	2,369
Excess tax benefit from stock-based compensation	(1)	(105)
Distribution of earnings from unconsolidated joint ventures	1,092	13,176
Changes in operating assets and liabilities:		
Receivables, inventories, prepaids and other assets, net	1,292	(5,231)
Current liabilities	1,007	5,130
Net cash provided by operating activities	1,045	14,750
Investing Activities		
Maturities and sales of marketable securities	85,769	91,831
Funds invested in marketable securities	(66,640)	(87,272)
Real estate and equipment expenditures	(40,995)	(13,513)
Reimbursement proceeds from Community Facilities District	3,309	—
Proceeds from sale of property plant and equipment	13	—
Investment in unconsolidated joint ventures	—	(3,750)
Distribution of equity from unconsolidated joint ventures	5,783	10,645
Proceeds from water sales[1]	—	1,324
Investments in water assets	(4,616)	(6,070)
Net cash used in investing activities	(17,377)	(6,805)
Financing Activities		
Borrowings on line of credit	12,000	—
Repayments of long-term debt	—	(1,321)
Taxes on vested stock grants	(206)	(2,594)
Net cash provided by (used in) financing activities	11,794	(3,915)
(Decrease) increase in cash, cash equivalents, and restricted cash	(4,538)	4,030
Cash, cash equivalents, and restricted cash at beginning of period	32,407	39,619
Cash, cash equivalents, and restricted cash at end of period	$ 27,869	$ 43,649

Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	$ 27,369	$ 43,149
Restricted cash (included in prepaid expenses and other current assets)	500	500
Total cash, cash equivalents, and restricted cash	$ 27,869	$ 43,649
Supplemental cash flow information		
Non-cash investing activities		
Accrued capital expenditures included in current liabilities	$ 4,255	$ 742
Accrued long-term water assets included in current liabilities	$ 300	$ 1,248

[1]In determining the classification of cash inflows and outflows related to water asset activity, the Company's practices are supported by ASC Topic 230-10-45-22, which provides that certain cash receipts and payments have aspects of more than one class of cash flows, whereby appropriate classification depends on the activity that is likely to be the predominant source of cash flows for the transaction. Also, at the 2006 American Institute of Certified Public Accountants Conference on Current SEC and PCAOB Developments, the 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 $1.3 million in 2023, this cash inflow is appropriately classified in the Company's investing activities. The profit of $0.5 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.

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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	Non-controlling Interest	Total Equity
Balance, June 30, 2024	26,806,409	$ 13,404	$ 347,040	$ (175)	$ 108,951	$ 469,220	$ 15,363	$ 484,583
Net loss	—	—	—	—	(1,836)	(1,836)	—	(1,836)
Other comprehensive income	—	—	—	33	—	33	—	33
Restricted stock issuance	8,271	4	(4)	—	—	—	—	—
Stock compensation	—	—	903	—	—	903	—	903
Balance, September 30, 2024	26,814,680	$ 13,408	$ 347,939	$ (142)	$ 107,115	$ 468,320	$ 15,363	$ 483,683
Balance, June 30, 2023	26,718,773	$ 13,359	$ 344,434	$ (1,767)	$ 107,684	$ 463,710	$ 15,367	$ 479,077
Net loss	—	—	—	—	(341)	(341)	(6)	(347)
Other comprehensive income	—	—	—	1,286	—	1,286	—	1,286
Restricted stock issuance	7,691	4	(4)	—	—	—	—	—
Stock compensation	—	—	974	—	—	974	—	974
Balance, September 30, 2023	26,726,464	$ 13,363	$ 345,404	$ (481)	$ 107,343	$ 465,629	$ 15,361	$ 480,990

See accompanying notes.

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance, December 31, 2023	26,770,545	$ 13,386	$ 345,609	$ (171)	$ 108,908	$ 467,732	$ 15,364	$ 483,096
Net loss	—	—	—	—	(1,793)	(1,793)	(1)	(1,794)
Other comprehensive income	—	—	—	29	—	29	—	29
Restricted stock issuance	62,590	31	(31)	—	—	—	—	—
Stock compensation	—	—	2,558	—	—	2,558	—	2,558
Shares withheld for taxes and tax benefit of vested shares	(18,455)	(9)	(197)	—	—	(206)	—	(206)
Balance, September 30, 2024	26,814,680	$ 13,408	$ 347,939	$ (142)	$ 107,115	$ 468,320	$ 15,363	$ 483,683
Balance, December 31, 2022	26,541,553	$ 13,271	$ 345,344	$ (2,028)	$ 105,643	$ 462,230	$ 15,364	$ 477,594
Net income	—	—	—	—	1,700	1,700	(3)	1,697
Other comprehensive income	—	—	—	1,547	—	1,547	—	1,547
Restricted stock issuance	363,756	181	(183)	—	—	(2)	—	(2)
Stock compensation	—	—	2,748	—	—	2,748	—	2,748
Shares withheld for taxes and tax benefit of vested shares	(178,845)	(89)	(2,505)	—	—	(2,594)	—	(2,594)
Balance, September 30, 2023	26,726,464	$ 13,363	$ 345,404	$ (481)	$ 107,343	$ 465,629	$ 15,361	$ 480,990

See accompanying notes.

1. BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and its subsidiaries (the Company, TRC 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 September 30, 2024 and 2023 include the consolidation of CFL's statements of operations within the resort/residential real estate development segment, statements of changes in equity, and statements of cash flows. The Company's September 30, 2024 and December 31, 2023 balance sheets are presented on a consolidated basis, including the consolidation of CFL.

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 is 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.

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, 2023.

Financial Instruments

Certain financial instruments are carried on the consolidated balance sheets at cost or amortized cost basis, which approximates fair value due to their short-term and highly liquid nature. These instruments include cash and cash equivalents, restricted cash, time deposits, accounts receivable, security deposits held for customers, accounts payable, and other accrued liabilities. The fair value of the revolving line of credit also approximates its carrying value, as the interest rate is variable and approximates prevailing market interest rates for similar debt arrangements.

Restricted Cash

Restricted cash is included in Prepaid expenses and other current assets within the Consolidated Balance Sheets and primarily relates to funds held in escrow. The Company had $500,000 of restricted cash as of September 30, 2024 and December 31, 2023.

New Accounting Pronouncements and Climate Change Related Update by SEC Effective in Future Periods

Business Combinations - Joint Venture Formations

In August 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2023-05, "Business Combinations - Joint Venture Formations." This ASU addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. The pronouncement requires a joint venture to initially measure contributions at fair value upon formation, which is more relevant than the carrying amounts of the contributed net assets and would reduce equity method basis differences. The ASU is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. This pronouncement is not expected to have a material effect on our consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures". This ASU requires quarterly disclosure of segment expenses if they are (i) significant to the segment, (ii) regularly provided to the chief operating decision maker ("CODM"), and (iii) included in each reported measure of a segment's profit or loss. In addition, this ASU requires an annual disclosure of the CODM's title and a description of how the CODM uses the segment's profit/loss measure to assess segment performance and to allocate resources. This ASU will be effective for the Company's annual report on Form 10-K beginning with the year ending December 31, 2024, and for subsequent quarterly and annual reports. The Company does not expect this ASU to have a material effect on our consolidated financial statements.

Income Taxes

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic740) - Improvements to Income Tax Disclosures". This ASU requires public business entities to disclose a tabular rate reconciliation of both percentages and reporting currency amounts on an annual basis. The ASU also requires disclosure of information on the amount of income taxes paid disaggregated by federal, state and foreign taxes. This ASU is effective for annual periods beginning after December 15, 2024. The pronouncement is not expected to have a material effect on our consolidated financial statements.

Adoption of Rules to Enhance and Standardize Climate-related Disclosures for Investors

On March 6, 2024, the SEC adopted final rules to require registrants to disclose certain climate-related information in registration statements and annual reports.

On April 4, 2024, the SEC issued an order staying the final rules pending completion of judicial review of the petitions challenging the final rules. The order does not amend the compliance dates contemplated by the final rules, which are applicable to the Company for fiscal years beginning with the Company's annual report on Form 10-K for the fiscal year ended December 31, 2027. We are currently evaluating the impact of our pending adoption of these requirements on our financial statement disclosures.

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 reporting periods. 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Weighted-average number of shares outstanding:				
Common stock	26,814,051	26,725,628	26,801,044	26,695,714
Common stock equivalents	— [1]	72,435	— [1]	76,668
Diluted shares outstanding	26,814,051	26,798,063	26,801,044	26,772,382

[1] For the three and nine months ended September 30, 2024, 83,668 and 101,754 shares of restricted stock were excluded from the calculation of diluted net loss per share as the shares were antidilutive.

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 has elected to classify its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date. All costs and both realized and unrealized gains and losses on securities are determined on a specific identification basis. The following is a summary of available-for-sale securities at:

($ in thousands)		September 30, 2024		December 31, 2023	
Marketable Securities:	Fair Value Hierarchy	Cost	Fair Value	Cost	Fair Value
Certificates of deposit					
with unrealized losses for less than 12 months		$ —	$ —	$ 174	$ 174
with unrealized gains		—	—	385	385
Total Certificates of deposit	Level 1	—	—	559	559
U.S. Treasury and agency notes					
with unrealized losses for less than 12 months		2,145	2,145	13,797	13,787
with unrealized gains		10,231	10,252	2,374	2,374
Total U.S. Treasury and agency notes	Level 2	12,376	12,397	16,171	16,161
Corporate notes					
with unrealized losses for less than 12 months		996	996	15,598	15,587
with unrealized losses for more than 12 months		500	499	—	—
with unrealized gains		—	—	249	249
Total Corporate notes	Level 2	1,496	1,495	15,847	15,836
		$ 13,872	$ 13,892	$ 32,577	$ 32,556

The Company uses 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 September 30, 2024, the Company has not recorded any credit losses.

As of September 30, 2024, the fair market value of investment securities was $20,000 above their cost basis. The Company’s gross unrealized holding gains equaled $21,000 and gross unrealized holding losses equaled $1,000. For the three months ended September 30, 2024, the adjustment to accumulated other comprehensive loss reflected an increase in market value of $46,000, including estimated taxes of $13,000. For the nine months ended September 30, 2024, the adjustment to accumulated other comprehensive loss reflected a decline in market value of $40,000, including estimated taxes of $11,000.

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. The accrued interest receivables balance totaled $114,000 as of September 30, 2024 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 September 30, 2024 and December 31, 2023 were caused by relative changes in interest rates since the time of purchase and not changes in credit quality. The contractual cash flows for these securities are guaranteed by U.S. government agencies. As of September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023.

Corporate notes

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 September 30, 2024 and December 31, 2023, the Company did not intend to sell these securities and it is not more-likely-than-not 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 September 30, 2024 and December 31, 2023.

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

	September 30, 2024		
($ in thousands)	2024	2025	Total
U.S. Treasury and agency notes	$ 4,786	$ 7,650	$ 12,436
Corporate notes	1,500	—	1,500
	$ 6,286	$ 7,650	$ 13,936

	December 31, 2023	
($ in thousands)	2024	Total
Certificates of deposit	$ 560	$ 560
U.S. Treasury and agency notes	16,212	$ 16,212
Corporate notes	15,880	15,880
	$ 32,652	$ 32,652

The Company’s investments in corporate notes are with companies that have an investment grade rating from Standard & Poor’s as of September 30, 2024.

4. REAL ESTATE

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

($ in thousands)	September 30, 2024	December 31, 2023
Real estate development		
Mountain Village	$ 157,480	$ 155,168
Centennial	123,302	119,788
Grapevine	42,057	40,716
Tejon Ranch Commerce Center	51,502	21,585
Real estate development	$ 374,341	$ 337,257
Real estate and improvements - held for lease		
Tejon Ranch Commerce Center	$ 20,596	$ 20,606
Less accumulated depreciation	(4,256)	(3,997)
Real estate and improvements - held for lease, net	$ 16,340	$ 16,609

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 TCWD in Kern County Water Banks.

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

The initial term of the water purchase agreement with Nickel runs to 2044 and includes a Company option to extend the contract for an additional 35 years. The purchase cost of water in 2024 is $957 per acre-foot. The purchase cost is subject to annual cost increases based on the greater of the Consumer Price Index or 3%.

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

Water revenues and cost of sales were as follows for the nine months ended ($ in thousands):

	September 30, 2024	September 30, 2023
Acre-Feet Sold	2,625	4,020
Revenues	$ 3,260	$ 6,615
Cost of sales	2,663	4,015
Profit	$ 597	$ 2,600

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

	September 30, 2024	December 31, 2023
Banked water and water for future delivery	$ 34,726	$ 31,002
Transferable water	1,948	756
Total water held for future use at cost	$ 36,674	$ 31,758

Intangible Water Assets

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

	September 30, 2024		December 31, 2023	
	Costs	Accumulated Depreciation	Costs	Accumulated Depreciation
Dudley-Ridge water rights	$ 11,581	$ (6,634)	$ 11,581	$ (6,272)
Nickel water rights	18,740	(7,014)	18,740	(6,532)
Tulare Lake Basin water rights	6,479	(3,802)	6,479	(3,624)
	$ 36,800	$ (17,450)	$ 36,800	$ (16,428)
Net cost of purchased water contracts	19,350		20,372	
Total cost of water held for future use	36,674		31,758	
Net investments in water assets	$ 56,024		$ 52,130	

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

(in acre-feet, unaudited)	September 30, 2024	December 31, 2023
Water held for future use		
TCWD - Banked water owned by the Company	69,137	65,005
Company water bank	54,728	54,728
Transferable water	3,223	1,000
Recharged project water	6,590	6,590
Total water held for future use	133,678	127,323
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWSD - 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	165,111	158,756

6. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following:

($ in thousands)	September 30, 2024	December 31, 2023
Accrued vacation	$ 692	$ 657
Accrued paid personal leave	292	309
Accrued bonus	2,026	1,962
Property tax payable[1]	1,121	—
Accrued stock compensation expense	2,148	—
Other	286	286
	$ 6,565	$ 3,214

[1] California property taxes are accrued throughout the year and are paid every April and December.

7. LINE OF CREDIT AND LONG-TERM DEBT

Debt consisted of the following:

($ in thousands)	September 30, 2024	December 31, 2023
Revolving line-of-credit[1]	$ 59,942	$ 47,942

[1]Deferred loan costs for the revolving line-of-credit as of September 30, 2024 and December 31, 2023 were recorded under the caption Other Assets on the Consolidated Balance Sheets.

On November 17, 2023, the Company entered into a Credit Agreement with AgWest Farm Credit, PCA and certain other lenders (the Revolving Credit Facility). The Revolving Credit Facility provides TRC a RCL in the amount of $160,000,000. The RCL requires interest only payments and has a maturity date of January 1, 2029. As of September 30, 2024, the outstanding balance under the RCL was $59,942,000, and the interest rate was one-month term SOFR plus a margin of 2.25% for an effective rate of 7.45%.

Funds from the RCL in November 2023 were used to pay off and close out the existing Bank of America, N.A. Term Note (the Bank of America Term Loan) and Revolving Line of Credit Note. The amount of this pay off was $47,078,564 plus accrued interest and fees on the Bank of America Term Note. The Company evaluated the debt exchange under ASC Topic 470 and determined that the exchange should be treated as a debt extinguishment.

8. OTHER LIABILITIES

Other liabilities consisted of the following:

($ in thousands)	September 30, 2024	December 31, 2023
Supplemental executive retirement plan liability (See Note 12)	$ 5,996	$ 6,124
Excess joint venture distributions and other (See Note 14)	9,118	9,083
Total	$ 15,114	$ 15,207

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 corporate cash flow goals or share price, or Performance Condition Grants; and performance share grants that include threshold, target, and maximum achievement levels based on the achievement of specific performance measures, or Performance Milestone Grants. Performance Condition Grants with market-based conditions are based on the achievement of a target share price. The share price used to calculate the grant date fair value for market-based awards is determined using a *Monte Carlo* simulation. Failure to achieve the target share price will result in the forfeiture of shares. Forfeiture of share awards with service conditions or performance-based restrictions will result in a reversal of previously recognized share-based compensation expense. Forfeiture of share awards with market-based restrictions does not result in a reversal of previously recognized share-based compensation expense.

The following is a summary of the Company's Performance Condition Grants outstanding as of September 30, 2024:

	Performance Condition Grants
Target performance	429,418
Maximum performance	543,023

The following is a summary of the Company's stock grant activity, both time and performance unit grants, assuming target achievement for outstanding performance grants for the nine months ended September 30, 2024:

	September 30, 2024
Stock grants outstanding beginning of period at target achievement	248,768
New stock grants/additional shares due to achievement in excess of target	386,956
Vested grants	(22,025)
Expired/forfeited grants	(10,905)
Stock grants outstanding end of period at target achievement	602,794

The following is a summary of the assumptions used to determine the fair value for the Company's outstanding market-based Performance Condition Grants as of September 30, 2024:

($ in thousands except for share prices)				
Grant date	12/16/2021	03/17/2022	12/14/2022	06/16/2023
Vesting end	12/16/2024	03/17/2025	12/14/2025	12/31/2025
Target share price to achieve award	$21.58	$20.43	$21.99	$20.72
Expected volatility	31.29%	31.54%	32.14%	26.58%
Risk-free interest rate	0.92%	2.13%	3.84%	4.38%
Simulated Monte Carlo share price	$21.48	$21.75	$26.00	$20.24
Shares granted	3,536	13,338	4,613	9,515
Total fair value of award	$76	$290	$120	$193

($ in thousands except for share prices)				
Grant date	08/21/2023	12/16/2023	03/13/2024	03/13/2024
Vesting end	12/31/2025	12/31/2026	12/31/2024	03/22/2027
Share price at target achievement	$19.20	$19.65	$17.58	$18.93
Expected volatility	25.55%	25.91%	29.62%	25.56%
Risk-free interest rate	4.74%	4.02%	4.62%	4.31%
Simulated Monte Carlo share price	$17.88	$19.74	$15.58	$18.36
Shares granted	1,650	4,828	18,626	15,225
Total fair value of award	$30	$95	$290	$280

The unamortized cost associated with unvested stock grants and the weighted average period over which it is expected to be recognized as of September 30, 2024 were $4,196,000 and 14 months, respectively. The fair value of restricted stock with time-based vesting features is based upon the Company's share price on the date of grant and is expensed over the service period. Fair value of performance grants that cliff vest based on the achievement of performance conditions is based on the share price of the Company's stock on the day of grant and is expensed over the performance period if it is probable that the award will vest. This fair value is expensed over the service period applicable to these grants. For performance grants that contain a range of shares from zero to maximum, the Company determines, based on historic and projected results, the probability of (1) achieving the performance objective, and (2) the level of achievement. Based on this information, the Company determines the number of awards probable of vesting and expenses the grant date fair value of such awards over the service period related to these grants. Because the ultimate vesting of all performance grants is tied to the achievement of a performance condition, the Company estimates whether the performance condition will be met and over what period of time. Ultimately, the Company adjusts compensation cost according to the actual outcome of the performance condition.

Cash-Settled Awards

Time-Based Cash-Settled Awards

On March 13, 2024, the Company granted 75,117 time-based cash-settled awards to the Chief Executive Officer that vest on December 31, 2024. These awards are classified as liabilities, measured at fair value on the date of grant, and remeasured at each reporting date, based on the Company's share price. Compensation cost is amortized on a straight-line method over the remaining vesting period. As of September 30, 2024, $0.4 million of total unrecognized compensation cost is expected to be recognized on outstanding cash-settled awards over the remaining vesting period based on fair value as of September 30, 2024.

Performance-Based Cash-Settled Awards

On March 13, 2024, the Company granted 14,867 performance condition grants, with market-based conditions, that are cash-settled awards to the Chief Executive Officer. These awards are classified as liabilities, measured at fair value on the date of grant, and remeasured at each reporting date based on a Monte Carlo model. Compensation cost is recognized in proportion to the completed requisite service period through December 31, 2024. The amount of awards earned ranges between 0% and 200% of the target amount depending upon performance achieved over the performance period commencing on the grant date and ending on the last day of the Company's 2024 fiscal year, and settled in cash. The performance conditions of the award are achieved at a target share price of $17.58. As of September 30, 2024, $0.1 million of total unrecognized compensation cost is expected to be recognized on outstanding performance-based cash-settled awards over the remaining performance period based on the fair value as of September 30, 2024.

On March 13, 2024, the Company granted 120,188 performance milestone cash-settled awards to the Chief Executive Officer. These awards are classified as liabilities, measured at fair value on the date of grant, and remeasured at each reporting date, based on the Company's share price. Compensation cost is recognized based on an estimate of the probability of achieving the performance objective at the associated level of achievement in proportion to the completed requisite service period through December 31, 2024. The amount of awards earned for each milestone is either 0% or 100% of the target amount depending upon performance achieved over the performance period commencing on the grant date and ending on the last day of the Company's 2024 fiscal year, and settled in cash. The performance conditions of the award are achieved based on established milestones. If such milestones are not met or become not probable of being met during the performance period, no compensation cost is recognized and any previously recognized compensation cost is reversed. As of September 30, 2024, $0.6 million of total unrecognized compensation cost is expected to be recognized on outstanding performance-based cash-settled awards over the remaining performance period based on the fair value and the estimated probability of achievement as of September 30, 2024.

Under the 2023 Stock Incentive Plan, each non-employee director, during the years presented, received all or a portion of his or her annual compensation in stock.

The following table summarizes stock compensation costs for the Company's 2023 Stock Incentive Plan, 1998 Stock Incentive Plan, and the prior Non-Employee Director Stock Incentive Plan for the following periods:

($ in thousands)	Nine Months Ended September 30,	
Employee:	2024	2023
Expensed	$ 3,665	$ 1,967
Capitalized	620	379
	4,285	2,346
Director:	421	402
Total Stock Compensation Costs	$ 4,706	$ 2,748

10. INCOME TAXES

The Company's provision for income taxes as of September 30, 2024 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 nine months ended September 30, 2024, the Company's income tax benefit was $286,000 compared to income tax expense of $3,619,000 for the nine months ended September 30, 2023. Effective tax rates were 14% and 68% for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the Company had income taxes receivable of $1,814,000. The Company classifies interest and penalties incurred on tax payments as income tax expense.

For the nine months ended September 30, 2024, the Company's effective tax rate was above statutory tax rates as a result of permanent differences related to Internal Revenue Code Section 162(m) limitations. Internal Revenue Code Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts and Jobs Act.

11. 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 $12,495,000 was paid as of September 30, 2024. These 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 $288,905,000 as of September 30, 2024.

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 determined until the future payment dates. As of September 30, 2024, the Company believes the net savings resulting from exiting the contract during this future time period will more than offset the incentive payment costs.

Community Facilities Districts

TRPFFA is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. For the development of TRCC, TRPFFA has created two CFDs: the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to $19,540,000 of outstanding bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to $95,660,000 of outstanding bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. As of September 30, 2024, the TRCC-East CFD has approximately $18,605,000 of additional bond debt authorized by TRPFFA that can be sold in the future.

As a landowner in each CFD, the Company is obligated 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 September 30, 2024, there were no additional improvement funds remaining from the West CFD bonds. As of September 30, 2024, there are $32,284,000 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. On July 25, 2024, TRPFFA sold bonds which will provide approximately $25,000,000 of improvement funds for the reimbursement of public infrastructure costs at TRCC-East. On October 16, 2024, the Company received $7,284,000 reimbursement proceeds from the East CFD funds, reducing the amount of funds remaining to $25,000,000. During fiscal year 2024, the Company expects to pay approximately $3,282,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. This amount could change in the future, based on the amount of bonds outstanding and the amount of taxes paid by others. The assessment of each individual property sold or leased is not determinable at this time, because it is based on the current tax rate and assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company was not required to recognize an obligation on September 30, 2024.

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 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 EIR 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 CBD and the 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 CFL 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, while not consolidated under court rules or the rules of civil procedure, the Los Angeles Superior Court judge (or Court) trying both cases determined during early trial management conferences to hold one set of hearings and issue one ruling on the matters as part of the adjudication. 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 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 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 its case based on the Court's conclusions 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 and further rescheduled as noted below.

On November 30, 2021, the Company, together with Ranchcorp and CFL, entered into a Settlement Agreement with Climate Resolve. Pursuant to the Settlement Agreement, the Company has agreed as stated and obligated in the Settlement Agreement: (1) to make Centennial a net zero GHG emissions project through various on-site and off-site measures including, but not limited to, installing electric vehicle chargers and establishing and funding incentive programs for the purchase of electric vehicles; (2) to fund certain on-site and off-site fire protection and prevention measures; and (3) to provide annual public reports and create an organization to monitor progress towards these commitments. The foregoing is only a summary of the material terms of the Settlement Agreement and does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the Settlement Agreement. In exchange, Climate Resolve filed a request for dismissal of the Climate Resolve Action with prejudice from the Court. On December 3, 2021, the Court granted and entered Climate Resolve's dismissal with prejudice concluding the Climate Resolve Action. On December 1, 2021, the 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 its case based on the Court's conclusions 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, 2022, the Court heard CBD/CNPS' Motion for Reconsideration and issued its decision granting CBD/CNPS prevailing party status based on the Court's conclusions in the Climate Resolve Action.

The Court set a tentative hearing date of February 25, 2022 concerning the entry of final judgment and awarding of appropriate remedies, which was continued several times in 2022 either on the Court's own motion or at the request of the parties and was ultimately set for hearing on October 26, 2022. At the October 26th hearing, the Court agreed to: (a) hear the Company's Motion for Reconsideration as to the successful challenges Climate Resolve prevailed upon within the Climate Resolve Action and ordered the Parties to appear on December 14, 2022 to hear the Company's Motion for Reconsideration and (b) rule on the entry of final judgment and setting of remedies at a February 17, 2023 hearing date.

At the December 14, 2022 hearing, the Court denied the Company's Motion for Reconsideration (finding that the Company's motion failed to support the statutory elements necessary to prevail on such motion). At the February 17, 2023 hearing, the Court took into submission the Parties' legal briefs and oral arguments. On March 22, 2023, the Court decided in favor of CBD/CNPS when the Judge signed CBD/CNPS's proposed form of judgment, which included a full rescission of the Centennial project approvals previously issued by Los Angeles County. On May 26, 2023, the Company filed a Notice of Appeal with the Superior Court, thereby appealing the Superior Court's decision to the Second District of the California Court of Appeal. On June 27, 2023, CBD/CNPS cross-appealed the Superior Court's ruling. Briefing at the Court of Appeal is complete and the parties are awaiting a hearing date. During the appeal process the Superior Court's order of the rescission of project approvals have been placed on hold.

As the Company's options to reinstate the project approvals remain pending, the monetary value of any adverse decision, if any, 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 believes that the ultimate resolution of these other proceedings will not have a material adverse effect on the Company's financial position, results of operations or cash flows, either individually or in the aggregate.

12. 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 2024.

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 September 30, 2024, the investment mixes were approximately at 99% debt and 1% money market funds. At December 31, 2023, the investment mixes were approximately 99% debt, and 1% money market funds. The weighted-average discount rate used in determining the periodic pension cost is 4.85% in both 2024 and 2023. The expected long-term rate of return on plan assets is 5.00% for both fiscal 2024 and 2023. 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:

	Nine Months Ended September 30,	
($ in thousands)	2024	2023
(Cost)/earnings components:		
Interest cost	$ (312)	$ (312)
Expected return on plan assets	336	315
Net amortization and deferral	(42)	(51)
Total net periodic pension cost	$ (18)	$ (48)

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

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

	Nine Months Ended September 30,	
($ in thousands)	2024	2023
Cost components:		
Interest cost	$ (207)	$ (219)
Net amortization and other	(39)	(30)
Total net periodic pension cost	$ (246)	$ (249)

13. REPORTING SEGMENTS AND RELATED INFORMATION

The Company currently operates five reporting segments: commercial/industrial real estate development, resort/residential real estate development, mineral resources, farming, and ranch operations. For further details of the revenue components within each reporting segment, see Results of Operations by Segment in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Real Estate - Commercial/Industrial Development

Commercial/Industrial real estate development segment revenues consist of 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 14 (Investment in Unconsolidated and Consolidated Joint Ventures) for discussion of unconsolidated joint ventures.

The following table summarizes revenues, expenses and operating income from this segment for the periods ended:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023
Commercial/industrial revenues	$ 3,002	$ 3,397	$ 8,497	$ 8,706
Equity in earnings of unconsolidated joint ventures	3,329	1,161	7,611	4,616
Commercial/industrial revenues and equity in earnings of unconsolidated joint ventures	6,331	4,558	16,108	13,322
Commercial/industrial expenses	2,088	2,137	6,005	5,517
Operating results from commercial/industrial and unconsolidated joint ventures	$ 4,243	$ 2,421	$ 10,103	$ 7,805

Real Estate - Resort/Residential Development

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 $328,000 and $367,000 for the three months ended September 30, 2024 and 2023, respectively. The segment generated losses of $2,316,000 and $1,079,000 for the nine months ended September 30, 2024 and 2023, respectively.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023
Mineral resources revenues	$ 3,166	$ 3,118	$ 7,687	$ 11,630
Mineral resources expenses	1,812	2,000	5,043	6,991
Operating results from mineral resources	$ 1,354	$ 1,118	$ 2,644	$ 4,639

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023
Farming revenues	$ 3,242	$ 2,642	$ 4,249	$ 4,852
Farming expenses	6,252	2,157	9,406	5,644
Operating results from farming	$ (3,010)	$ 485	$ (5,157)	$ (792)

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023
Ranch operations revenues	$ 1,446	$ 1,052	$ 3,518	$ 3,384
Ranch operations expenses	1,223	1,196	3,711	3,864
Operating results from ranch operations	$ 223	$ (144)	$ (193)	$ (480)

14. 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 September 30, 2024 was $34,429,000. The equity in the income of unconsolidated joint ventures was $7,611,000 for the nine months ended September 30, 2024. The unconsolidated joint ventures have not been consolidated as of September 30, 2024, because the Company does not control the investments. The Company's current joint ventures are as follows:

- Petro Travel Plaza Holdings LLC – TA/Petro is an unconsolidated joint venture with TravelCenters of America Inc. for the development and management of travel plazas and convenience stores. The Company has 50% voting rights and shares 60% of profit and losses in this joint venture. It houses multiple commercial eating establishments, as well as diesel and gasoline operations in TRCC. The Company does not control the investment due to it having only 50% voting rights, and because the partner in the joint venture is the managing partner and performs all of the day-to-day operations and has significant decision-making authority regarding key business components, such as fuel inventory and pricing at the facility. The Company's investment in this joint venture was $25,374,000 as of September 30, 2024.
- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of industrial and commercial properties throughout the United States. The Company partnered with Majestic to form five active 50/50 joint ventures to acquire, develop, manage, and operate industrial real estate at TRCC. The partners have equal voting rights and equally share in the profit and loss of each joint venture. All outstanding debt attributed to our joint ventures with Majestic have met their respective debt covenants, and hence were not subject to an effective guarantee at September 30, 2024. For those investments in a deficit position, 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.
  - On March 29, 2022, TRC-MRC 5 LLC was formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. The construction of the building was completed in the fourth quarter of 2023, and the joint venture has leased 100% of the rentable space. The joint venture refinanced the construction loan in February 2024 with a promissory note. The note matures on February 3, 2035, and had an outstanding balance of $52,984,000 as of September 30, 2024. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $1,441,000.
  - On March 25, 2021, TRC-MRC 4 LLC was formed to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. The construction of the building was completed in the fourth quarter of 2022, and the joint venture has leased 100% of the rentable space. The joint venture refinanced its construction loan in March 2023 with a promissory note. The note matures on March 1, 2033, and had an outstanding balance of $61,144,000 as of September 30, 2024. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $6,106,000.

- In November 2018, TRC-MRC 3, LLC was formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building on the Company's property at TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary therefore it does not consolidate TRC-MRC 3, LLC in its financial statements. The construction of the building was completed in 2019, and the joint venture has leased 100% of the rentable space to two tenants. In March 2019, the joint venture entered into a promissory note with a financial institution to finance the construction of the building. The note matures on May 1, 2030 and had an outstanding principal balance of $32,952,000 as of September 30, 2024. The Company's investment in this joint venture was $242,000 as of September 30, 2024.
- In August 2016, the Company partnered with Majestic to form TRC-MRC 2, LLC to acquire, lease, and maintain a fully occupied warehouse at TRCC-West. The partnership acquired the 651,909 square foot building for $24,773,000, and was largely financed through a promissory note. The promissory note was refinanced on June 1, 2018 with a $25,240,000 promissory note. The note matures on July 3, 2028 and had an outstanding principal balance of $21,414,000 as of September 30, 2024. The building was 100% leased as of September 30, 2024. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $455,000.
- In September 2016, TRC-MRC 1, LLC was formed to develop and operate an approximately 480,480 square foot industrial building at TRCC-East. The joint venture completed construction in 2017. 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 $21,642,000 was outstanding as of September 30, 2024. Since inception of the joint venture, the Company has received excess distributions resulting in a deficit balance in its investment of $1,117,000.

- TRCC/Rock Outlet Center LLC – This joint venture was formed in 2013 with Rockefeller Group Development Corporation, or Rockefeller to develop, own, and manage a net leasable 326,000 square foot outlet center on land at TRCC-East. At September 30, 2024, the Company’s equity investment balance in this joint venture was $8,813,000. 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 during the development period and ongoing operations, including the setting and monitoring of the budget, leasing, marketing, financing, and selection of the contractor for any construction, are jointly made by both members of the joint venture. Therefore, the Company concluded that both members have significant participating rights that are sufficient to overcome the presumption of the Company controlling the joint venture through it being named the managing member. Therefore, the investment in TRCC/Rock Outlet Center LLC is being accounted for under the equity method. On August 16, 2023, the TRCC/Rock Outlet Center LLC joint venture successfully extended the maturity date of its term note with a financial institution from May 31, 2024 to June 30, 2025. In connection with the loan extension, the joint venture also reduced the outstanding amount by $6,000,000. As of September 30, 2024, the outstanding balance of the term note was $20,626,000. The Company and Rockefeller guarantee the performance of the debt.
- Centennial Founders, LLC – 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 September 30, 2024, the Company owned 93.62% of CFL.

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

Unaudited condensed statements of operations for the three and nine months ended September 30, 2024 and 2023 and condensed balance sheet information of the Company’s unconsolidated joint ventures as of September 30, 2024 and December 31, 2023 are as follows:

	Three Months Ended September 30,					
	2024	2023	2024	2023	2024	2023
	Joint Venture				TRC	
($ in thousands)	Revenues		Earnings (Loss)		Equity in Earnings (Loss)	
Petro Travel Plaza Holdings, LLC	$ 40,446	$ 44,976	$ 4,641	$ 1,736	$ 2,785	$ 1,041
TRCC/Rock Outlet Center, LLC[1]	1,644	1,740	(994)	(753)	(497)	(376)
TRC-MRC 1, LLC	1,278	1,110	446	373	224	187
TRC-MRC 2, LLC	1,785	1,647	1,111	683	555	341
TRC-MRC 3, LLC	1,082	1,138	216	68	107	33
TRC-MRC 4, LLC	1,875	1,746	183	(120)	93	(59)
TRC-MRC 5, LLC	1,710	—	126	(12)	62	(6)
Total	$ 49,820	$ 52,357	$ 5,729	$ 1,975	$ 3,329	$ 1,161
Centennial Founders, LLC	$ —	$ 15	$ (9)	$ (84)	Consolidated	

[1] Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of $0.3 million for the three months ended September 30, 2024 and September 30, 2023.

	Nine Months Ended September 30,					
	2024	2023	2024	2023	2024	2023
	Joint Venture				TRC	
($ in thousands)	Revenues		Earnings (Loss)		Equity in Earnings (Loss)	
Petro Travel Plaza Holdings, LLC	$ 116,344	$ 120,002	$ 10,006	$ 6,880	$ 6,004	$ 4,128
TRCC/Rock Outlet Center, LLC[1]	5,148	4,734	(2,259)	(2,512)	(1,130)	(1,256)
TRC-MRC 1, LLC	3,135	3,229	749	826	375	413
TRC-MRC 2, LLC	4,980	4,468	2,887	2,084	1,443	1,042
TRC-MRC 3, LLC	3,268	3,270	643	471	321	235
TRC-MRC 4, LLC	5,837	5,281	826	149	414	75
TRC-MRC 5, LLC	4,680	—	369	(42)	184	(21)
Total	$ 143,392	$ 140,984	$ 13,221	$ 7,856	$ 7,611	$ 4,616
Centennial Founders, LLC	$ 66	$ 190	$ (22)	$ (46)	Consolidated	

[1] Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of $1.0 million and $0.9 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

($ in thousands)	September 30, 2024				December 31, 2023			
	Joint Venture			TRC	Joint Venture			TRC
	Assets	Debt	Equity (Deficit)	Equity	Assets	Debt	Equity (Deficit)	Equity
Petro Travel Plaza Holdings, LLC	$ 84,778	$ (11,984)	$ 62,956	$ 25,374	$ 72,633	$ (12,556)	$ 52,950	$ 19,370
TRCC/Rock Outlet Center, LLC	55,181	(20,626)	33,275	8,813	58,040	(20,850)	35,535	9,943
TRC-MRC 1, LLC	24,868	(21,642)	2,113	—	25,224	(22,144)	1,684	—
TRC-MRC 2, LLC	20,862	(21,414)	(673)	—	18,882	(21,939)	(2,597)	—
TRC-MRC 3, LLC	35,101	(32,952)	613	242	35,467	(33,627)	2,087	141
TRC-MRC 4, LLC	49,720	(61,144)	(13,601)	—	49,964	(61,776)	(12,192)	—
TRC-MRC 5, LLC	51,636	(52,984)	(3,016)	—	49,687	(35,138)	8,390	4,194
Total	$ 322,146	$ (222,746)	$ 81,667	$ 34,429	$ 309,897	$ (208,030)	$ 85,857	$ 33,648
Centennial Founders, LLC	$ 106,902	$ —	$ 106,531	***	$ 104,979	$ —	$ 104,753	***

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

15. RELATED PARTY TRANSACTIONS

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

The Company has water contracts with 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 is one of nine directors at WRMWSD. As of September 30, 2024, the Company paid $5,434,000 for these water contracts and related costs.

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, the adequacy of future cash flows to fund our operations, the adequacy 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 and accounts receivable, our outstanding indebtedness, ongoing negotiations 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, weather, market, geopolitical 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 commercial/industrial and resort/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 improvement and 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. An active example of this strategy is the TRCC mixed-use development, which was entitled and prevailed in litigation in 2007.

Our mixed-use master planned residential developments include up to 35,278 housing units, and more than 35 million square feet of commercial space. We have obtained entitlements on MV and prevailed in litigation in 2012, and received the first approved final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses. Grapevine at Tejon Ranch, or Grapevine, was reapproved unanimously by the Kern County Board of Supervisors in 2019 and prevailed in litigation in 2021. Centennial at Tejon Ranch, or Centennial, had entitlements approved in 2019 by the Los Angeles County Board of Supervisors. These approvals were litigated in two lawsuits filed in Los Angeles County Superior Court in May 2019 and we have since worked on defending and addressing the ongoing litigation, including considering all options to address the Superior Court's January 2022 decision and the Superior Court's March 22, 2023 final judgment. On May 26, 2023, we filed a Notice of Appeal, thereby appealing the Superior Court's decision to the Second District of the California Court of Appeal. On June 27, 2023, CBD/CNPS cross-appealed the Superior Court's ruling. Briefing at the Court of Appeal is complete and the Company is awaiting a hearing date. During the appeals process the Superior Court's order of the rescission of project approvals has been placed on hold. See Note 11 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information regarding the Centennial litigation.

We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our fully operational mixed-use development, TRCC. During the first quarter of 2024, we began construction of the first phase of a multi-family community, Terra Vista at Tejon, within TRCC. The development is located on a 22-acre site located immediately north of the Outlets at Tejon. In this first phase, we are developing 228 units of multi-family residences, in seven apartment buildings, as well as a clubhouse with pool and fitness facilities. The Conditional Use Permit approved by Kern County Board of Supervisors authorized up to a maximum of 495 multi-family residences to be constructed. Our goal is to deliver the first phase on budget and on time, and we are currently meeting both objectives. All of these efforts are supported by diverse revenue streams generated from other operations, including: farming, mineral resources, ranch operations, and our various joint ventures.

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 mixed-use development on Interstate 5 just north of the Los Angeles basin. Over eight million square feet of industrial, commercial and retail space has already been developed or is under development, including distribution centers for IKEA, Caterpillar, Nestlé, Famous Footwear, L'Oreal, Camping World, Sunrise Brands, Dollar General and RectorSeal. 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.
- A joint venture with Rockefeller Development Group, or Rockefeller:
    - TRCC/Rock Outlet Center LLC operates the Outlets at Tejon, a net leasable 326,000 square foot shopping experience in TRCC-East.
- Five joint ventures with Majestic Realty Co., or Majestic, to develop, manage, and operate five industrial buildings comprising of 2.8 million square feet of industrial space all within TRCC and all fully leased.
- On October 4, 2024, we entered into a joint venture with Dedeaux Properties to develop, manage, and operate an industrial building of 510,500 square feet of space.

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 MV, Centennial, and Grapevine, with Grapevine North representing a fourth opportunity in this segment.

- MV encompasses a total of 26,417 acres, of which 5,082 acres is expected to 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. See Note 11 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information related to current litigation;
- 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 of commercial development, and more than 3,367 acres of open space and parks; and
- Immediately northeast of Grapevine is Grapevine North, a 7,655-acre development area, which is currently used for agricultural purposes. Identified as a development area in the 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, 2023, 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 Third Quarter 2024 Performance

For the three months ended September 30, 2024, we had a net loss attributable to common stockholders of $1,836,000 compared to a net loss attributable to common stockholders of $341,000 for the three months ended September 30, 2023. The primary driver of this $1,495,000 increase in net loss was the performance of our farming segment, which experienced a $3,495,000 decrease in operating profit compared to the prior period. This decrease was primarily driven by the lack of pistachio crop yield in the current period, primarily due to insufficient chilling hours, coupled with 2024 being a down-bearing year following a substantial harvest last season. Historically, the pistachio harvest begins in the third quarter, but in the prior year period, the harvest was delayed due to unusual weather conditions. This delay impacted the timing of cost recognition, resulting in lower overall farming costs for the third quarter of 2023. Partially offsetting this decrease was a $2,168,000 increase in equity in earnings of unconsolidated joint ventures, primarily driven by the improved fuel margins of our TA/Petro joint venture. During the quarter, the joint venture experienced a 23.6% decrease in fuel cost of sales compared with the prior quarter, and this translates to an 86.8% improvement in fuel margins.

For the nine months ended September 30, 2024, we had a net loss attributable to common stockholders of $1,793,000 compared to a net income attributable to common stockholders of $1,700,000 for the same period in 2023. The primary driver of this change was the $4,365,000 decrease in operating profits within the farming segment, which was primarily due to the lack of pistachio crop yield as stated above. Additionally, operating income for the mineral resources segment decreased by $1,995,000 due to limited opportunities to sell water. We also observed an increase in corporate expenses of $1,970,000 mainly due to higher stock compensation expenses, and higher professional service fees of $1,237,000 within the resort/residential segment. The above unfavorable variances were partially offset by improved equity of earnings of unconsolidated joint ventures of $2,995,000 associated with higher fuel margins of TA/Petro and an increase in tax benefits of $3,905,000 due to a net loss position in the year-to-date results, combined with a lower effective tax rate due to the Internal Revenue Code Section 162(m) adjustments.

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 13 (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 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 nine months ended September 30, 2024, our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended December 31, 2023. 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 a discussion regarding 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:

	Three Months Ended September 30,		Change	
($ in thousands)	2024	2023	$	%
Commercial/industrial revenues				
Pastoria Energy Facility	$ 1,435	$ 1,539	$ (104)	(7)%
TRCC Leasing	446	439	7	2 %
TRCC management fees and reimbursements	246	395	(149)	(38)%
Commercial leases	167	173	(6)	(3)%
Communication leases	270	251	19	8 %
Landscaping services and other services	438	600	(162)	(27)%
Total commercial/industrial revenues	$ 3,002	$ 3,397	$ (395)	(12)%
Total commercial/industrial expenses	$ 2,088	$ 2,137	$ (49)	(2)%
Operating income from commercial/industrial	$ 914	$ 1,260	$ (346)	(27)%

- Commercial/industrial real estate development segment revenues were $3,002,000 for the three months ended September 30, 2024, a decrease of $395,000, or 12%, from $3,397,000 for the three months ended September 30, 2023. The decrease was primarily attributable to the decreases in landscaping and other revenue of $162,000, TRCC management fees and reimbursements of $149,000 and Pastoria Energy Facility revenues of $104,000 during the period. The decrease in management fees is primarily attributed to the construction completion of the TRC-MRC 5 industrial building in 2023. The decrease in landscaping and other is primarily due to the increase in recoverable fees earned in 2023 due to the additional services provided to tenants triggered by unexpected weather damage that did not occur in 2024.
- Commercial/industrial real estate development segment expenses were $2,088,000 for the three months ended September 30, 2024, a decrease of $49,000, or 2%, from $2,137,000 for the three months ended September 30, 2023. The decrease was primarily attributable to lower property tax expense partially offset by higher insurance cost over the comparative period.

	Nine Months Ended September 30,		Change	
($ in thousands)	2024	2023	$	%
Commercial revenues				
Pastoria Energy Facility	$ 3,631	$ 3,895	$ (264)	(7)%
TRCC Leasing	1,334	1,265	69	5 %
TRCC management fees and reimbursements	768	842	(74)	(9)%
Commercial leases	496	495	1	— %
Communication leases	792	782	10	1 %
Landscaping services and other services	1,476	1,427	49	3 %
Total commercial revenues	$ 8,497	$ 8,706	$ (209)	(2)%
Total commercial expenses	$ 6,005	$ 5,517	$ 488	9 %
Operating income from commercial/industrial	$ 2,492	$ 3,189	$ (697)	(22)%

- Commercial/industrial real estate development segment revenues were $8,497,000 for the nine months ended September 30, 2024, a decrease of $209,000, or 2%, from $8,706,000 for the nine months ended September 30, 2023. The primary driver of this decrease was the decrease of $264,000 in revenue from Pastoria Energy Facility due to lower spark spread payments for the period. Additionally, TRCC management fees decreased by $74,000 or 9%, which were partially offset by an increase in TRCC leasing revenue of $69,000 or 5% due to rent escalations.
- Commercial/industrial real estate development segment expenses were $6,005,000 for the nine months ended September 30, 2024, an increase of $488,000, or 9%, from $5,517,000 for the nine months ended September 30, 2023. The increase was primarily attributable to higher insurance cost of $294,000 and an increase in bad debt reserve of $134,000 due to a tenant in default.

The logistics operators currently located within TRCC have demonstrated success in serving all of California and the western region of the United States, and we showcase their success in our marketing efforts. We expect to continue to focus our marketing strategy for TRCC on the significant labor and logistical benefits of our site, the pro-business approach of Kern County, and the 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 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 AKIP adopted by the Kern County Board of Supervisors. AKIP aims to expand and enhance Kern 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 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. We continue 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.

During the quarter ended September 30, 2024, vacancy rates in the Inland Empire continued to climb but at a much slower pace to 6.7% as the construction pipeline posted its lowest quarterly total in eight years. Average asking rents declined for the fifth consecutive quarter. The San Fernando Valley and Ventura County industrial markets continue to experience tight conditions, with historically low vacancy and availability rates. Vacancy increased marginally to 1.9% in San Fernando Valley and remained unchanged at 2.2% in Ventura County, while overall net absorption was negative in both markets. Average asking rent experienced a slight quarter-over-quarter decline in the San Fernando Valley, dropping by $0.06 to $1.62, and by $0.09 in Ventura County to $1.17. See below for the vacancy rates and average asking rent of Inland Empire, San Fernando Valley and Ventura County.

	Vacancy Rates			**Average Asking Rent**		
	September 30, 2024	December 31, 2023	September 30, 2023	September 30, 2024	December 31, 2023	September 30, 2023
Inland Empire	6.7%	5.1%	3.9%	1.22	1.48	1.54
San Fernando Valley and Ventura County	2.0%	1.5%	1.1%	1.45	1.54	1.61

Industrial users seeking larger spaces are continuing to go 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.

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, planning costs, and staffing costs, as we continue to pursue development opportunities. From a macroeconomic perspective, the tightening of capital markets may cause a near-term slowdown in new commercial real estate developments.

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 $328,000 for the three months ended September 30, 2024, a decrease of $39,000 from $367,000 for the three months ended September 30, 2023. This decrease was primarily attributable to a decrease of $71,000 in payroll expense recorded over the comparative period, partially offset by higher dues and membership fees of $11,000 and higher insurance cost of $11,000.

Resort/residential real estate development segment expenses were $2,316,000 for the first nine months of 2024, an increase of $1,237,000, or 115%, from $1,079,000 for the first nine months of 2023. The increase was primarily attributable to an additional $1,250,000 of professional service fees and planning costs related to capital efforts tied to our master planned communities.

Our long-term business plan of developing the communities of MV, Centennial, and Grapevine remains unchanged. Long-term macro fundamentals, primarily California's large population and household formation, will support housing demand in our region. California also has a significant documented housing shortage, which we believe our communities will help ease. A majority 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.

As we move forward with our master planned communities, 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 our issuance of additional common stock.

Mineral Resources:

	Three Months Ended September 30,		Change	
($ in thousands)	2024	2023	$	%
Mineral resources revenues				
Oil and gas	$ 185	$ 243	$ (58)	(24)%
Cement	736	680	56	8 %
Rock aggregate	645	671	(26)	(4)%
Exploration leases	—	9	(9)	(100)%
Water Sales	1,600	1,516	84	6 %
Reimbursables and other	—	(1)	1	(100)%
Total mineral resources revenues	$ 3,166	$ 3,118	$ 48	2 %
Total mineral resources expenses	$ 1,812	$ 2,000	$ (188)	(9)%
Operating income from mineral resources	$ 1,354	$ 1,118	$ 236	21 %

- Mineral resources segment revenues were $3,166,000 for the three months ended September 30, 2024, an increase of $48,000, or 2%, from $3,118,000 for the three months ended September 30, 2023. The increase in revenues was primarily due to an increase in water sales revenue of $84,000 and an increase in cement royalties of $56,000. The increases were partially offset by a decrease of $58,000 in oil and gas revenue due to lower production volume.

- Mineral resources segment expenses were $1,812,000 for the three months ended September 30, 2024, a decrease of $188,000, or 9%, from $2,000,000 for the three months ended September 30, 2023. The decrease was primarily associated with lower property tax expense of $495,000, partially offset by higher water cost of sales of $297,000 recognized during the quarter.

	Nine Months Ended September 30,		Change	
($ in thousands)	2024	2023	$	%
Mineral resources revenues				
Oil and gas	$ 664	$ 760	$ (96)	(13)%
Cement	2,085	1,870	215	11 %
Rock aggregate	1,541	1,457	84	6 %
Exploration leases	1	26	(25)	(96)%
Water Sales	3,260	6,615	(3,355)	(51)%
Reimbursables and other	136	902	(766)	(85)%
Total mineral resources revenues	$ 7,687	$ 11,630	$ (3,943)	(34)%
Total mineral resources expenses	$ 5,043	$ 6,991	$ (1,948)	(28)%
Operating income from mineral resources	$ 2,644	$ 4,639	$ (1,995)	(43)%

- Mineral resources segment revenues were $7,687,000 for the first nine months of 2024, a decrease of $3,943,000, or 34%, from $11,630,000 for the first nine months of 2023. The reduction in revenues was primarily attributable to a decline in water sales revenue of $3,355,000 due to back-to-back above average rainfall years in California, which severely limited water sales opportunities. Reimbursable revenues also decreased $766,000 due to a mineral resources tax reassessment for this segment.
- Mineral resources segment expenses were $5,043,000 for the first nine months of 2024, a decrease of $1,948,000, or 28%, when compared to the same period in 2023. The decrease was primarily due to lower water cost of sales recognized of $1,097,000, and a decrease in property tax expense of $738,000 when compared to the previous period.

As anticipated changes arise in the future related to groundwater management in California, such as limits on groundwater pumping, we believe 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.

Prices for oil and 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. Production has seen an overall decline in California as a result of regulatory conditions.

Farming:

($ in thousands)	Three Months Ended September 30, 2024	2023	Change $	Change %
Farming revenues				
Almonds	$ 1,503	$ 581	$ 922	159 %
Pistachios	22	—	22	100 %
Wine grapes	1,304	1,885	(581)	(31)%
Hay	—	15	(15)	(100)%
Other	413	161	252	157 %
Total farming revenues	$ 3,242	$ 2,642	$ 600	23 %
Total farming expenses	$ 6,252	$ 2,157	$ 4,095	190 %
Operating (loss) income from farming	$ (3,010)	$ 485	$ (3,495)	(721)%

- Farming segment revenues were $3,242,000 for the three months ended September 30, 2024, an increase of $600,000, or 23%, from $2,642,000 during the same period in 2023. Almond sales revenue increased by $922,000, due to higher pricing and more crops available for sale. Comparatively, we sold 664,000 and 345,000 pounds of almonds during the three months ended September 30, 2024 and 2023, respectively. This increase was partially offset by a decrease in wine grape sales revenue during the same period due to lower production volume for our wine grapes harvested as of September 30, 2024.
- Farming segment expenses were $6,252,000 for the three months ended September 30, 2024, an increase of $4,095,000, or 190%, from $2,157,000 during the same period in 2023. This increase was primarily due to higher almond cost of sales recognized in the period associated with higher crop sales volume. Additionally, pistachio crop cost of sales was $2,622,000 higher over the comparative period due to the timing of the harvest of the crop. The late pistachio harvest in the 2023 period delayed the timing of cost recognition, which historically occurred in the third quarter, while in the current year period, all cultural costs related to pistachio crop were written off due to the lack of pistachio yield. In 2024, the pistachio trees did not yield a crop, largely due to the low chilling hours and the off-cycle nature of this year, following a significant crop last season. An insurance claim for this crop has been filed.

($ in thousands)	Nine Months Ended September 30, 2024	2023	Change $	Change %
Farming revenues				
Almonds	$ 2,243	$ 2,153	$ 90	4 %
Pistachios	22	(4)	26	650 %
Wine grapes	1,304	1,924	(620)	(32)%
Hay	66	190	(124)	(65)%
Other	614	589	25	4 %
Total farming revenues	$ 4,249	$ 4,852	$ (603)	(12)%
Total farming expenses	$ 9,406	$ 5,644	$ 3,762	67 %
Operating loss from farming	$ (5,157)	$ (792)	$ (4,365)	551 %

- Farming segment revenues were $4,249,000 for the first nine months of 2024, a decrease of $603,000, or 12%, from $4,852,000 during the same period in 2023. The decrease was primarily due to a decrease in wine grapes sales revenue of $620,000 due to lower units sold in the current year. Additionally, hay sales revenue decreased by $124,000, or 65%, due to lower crop sales volume.
- Farming segment expenses were $9,406,000 for the first nine months of 2024, an increase of $3,762,000, or 67%, from $5,644,000 compared to the same period in 2023. Increases in the current period expenses were primarily due to the higher cost of pistachio crop over the comparative period associated with the late harvest in prior year mentioned above.

Our almond, pistachio, and wine grape crop sales are highly seasonal, with most of our sales occurring during the third and fourth quarters. Each year, almonds and pistachios are sold at market prices, while grapes are sold to wineries at contracted prices. Our farming operations during 2024 continued to experience higher costs of production, such as fuel costs, fertilizer costs, pest control costs, and labor costs. The almond industry is estimating the 2024 almond crop at 2.6 billion pounds down from the previous report of over 3.0 billion pounds. This estimate along with a lower inventory carry forward has helped to improve pricing.

Weather conditions can also impact the number of tree and vine dormant hours, which are integral to tree and vine growth. Farmers in California faced a warm winter negatively impacting dormant hours primarily related to pistachios, which can impact production within pistachios. In addition, late spring rains negatively impacted 2024 grape production as the rains occurred during the grape bloom. The timing of the rains also increased cultural costs within grapes to fight higher levels of mildew in the vineyards.

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

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 September 30, 2024	2023	Change $	Change %
Ranch operations revenues				
Game management and other [1]	$ 825	$ 693	$ 132	19 %
Grazing	621	359	262	73 %
Total ranch operations revenues	$ 1,446	$ 1,052	$ 394	37 %
Total ranch operations expenses	$ 1,223	$ 1,196	$ 27	2 %
Operating income (loss) from ranch operations	$ 223	$ (144)	$ 367	255 %

[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 $1,446,000 for the three months ended September 30, 2024, an increase of $394,000, or 37%, from $1,052,000 for the same period in 2023. The increase was attributable to an increase in grazing lease revenues of $262,000 and an increase in game management and other revenue of $132,000, primarily related to higher filming location revenues.
- Ranch operations expenses were $1,223,000 for the three months ended September 30, 2024, an increase of $27,000, or 2%, from $1,196,000 for the same period in 2023.

($ in thousands)	Nine Months Ended September 30, 2024	2023	Change $	Change %
Ranch Operations revenues				
Game Management and other [1]	$ 1,808	$ 2,096	$ (288)	(14)%
Grazing	1,710	1,288	422	33 %
Total Ranch Operations revenues	$ 3,518	$ 3,384	$ 134	4 %
Total Ranch Operations expenses	$ 3,711	$ 3,864	$ (153)	(4)%
Operating loss from Ranch Operations	$ (193)	$ (480)	$ 287	60 %

[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 $3,518,000 for the first nine months of 2024, an increase of $134,000, or 4%, from $3,384,000 for the same period in 2023. The increase was primarily attributable to an increase in grazing lease revenue of $422,000, partially offset by a decrease in revenue recognized for game management due to lower filming location revenues.
- Ranch operations expenses were $3,711,000 for the first nine months of 2024, a decrease of $153,000, or 4%, from $3,864,000 for the same period in 2023. This decrease was primarily attributable to a decrease in payroll and compensation expense of $156,000.

Corporate and Other:

Corporate general and administrative costs were $2,945,000 for the three months ended September 30, 2024, an increase of $630,000, or 27%, from $2,315,000 for the same period in 2023. The increase was primarily attributable to higher stock compensation expense of $922,000 over the comparative period, partially offset by lower bonus expense of $198,000.

Corporate general and administrative costs were $8,794,000 for the first nine months of 2024, an increase of $1,970,000, or 29%, from $6,824,000 for the same period in 2023. The increase was primarily due to a $1,717,000 increase in stock compensation expense during the first nine months ended September 30, 2024.

Total other income was $459,000 for the three months ended September 30, 2024, a decrease of $211,000 from $670,000 for the same period in 2023, primarily due to lower investment income as a result of a reduction in marketable securities.

Total other income was $1,633,000 for the nine months ended September 30, 2024, a decrease of $414,000, from $2,047,000 for the same period in 2023. The decrease was primarily attributable to the $426,000 employee retention credit received during the first quarter of 2023, which did not reoccur in 2024.

Joint Ventures:

($ in thousands)	Three Months Ended September 30, 2024	2023	Change $	Change %
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	$ 2,785	$ 1,041	$ 1,744	168 %
TRCC/Rock Outlet Center, LLC	(497)	(376)	(121)	(32)%
TRC-MRC 1, LLC	224	187	37	20 %
TRC-MRC 2, LLC	555	341	214	63 %
TRC-MRC 3, LLC	107	33	74	224 %
TRC-MRC 4, LLC	93	(59)	152	258 %
TRC-MRC 5, LLC	62	(6)	68	1133 %
Total equity in earnings	$ 3,329	$ 1,161	$ 2,168	187 %

- Equity in earnings was $3,329,000 for the three months ended September 30, 2024, an increase of $2,168,000, from $1,161,000 during the same period in 2023. The increase was primarily attributable to an increase in equity in earnings recorded for the TA/Petro joint venture of $1,744,000 as a result of higher fuel margins. Equity in earnings for our various joint ventures with Majestic also increased due to higher rental rates or rental escalations.

($ in thousands)	Nine Months Ended September 30, 2024	2023	Change $	Change %
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	$ 6,004	$ 4,128	$ 1,876	45 %
TRCC/Rock Outlet Center, LLC	(1,130)	(1,256)	126	10 %
TRC-MRC 1, LLC	375	413	(38)	(9)%
TRC-MRC 2, LLC	1,443	1,042	401	38 %
TRC-MRC 3, LLC	321	235	86	37 %
TRC-MRC 4, LLC	414	75	339	452 %
TRC-MRC 5, LLC	184	(21)	205	976 %
Total equity in earnings	$ 7,611	$ 4,616	$ 2,995	65 %

- Equity in earnings were $7,611,000 for the nine months ended September 30, 2024, an increase of $2,995,000, or 65%, from $4,616,000 during the same period in 2023. The primary driver of the increase was the increase in equity in earnings recorded for Petro Travel Plaza Holdings, LLC as a result of higher fuel margins. Equity in earnings for our TRC-MRC LLC joint ventures increased due to higher rental rates or rental escalations, except for a decrease in TRC-MRC 1 LLC equity in earnings due to an increase of repair costs from storm damage over the prior year period, partially offset by related insurance reimbursements, and the new revenue stream generated by the completed industrial building of the TRC-MRC5 joint venture. Additionally, equity in loss from TRCC/Rock Outlet Center joint venture decreased by $126,000 compared to the prior period, and the Outlet Center was over 90% occupied as of September 30, 2024.

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

General Outlook

Our operations are seasonal and future results of operations cannot reliably be predicted based on quarterly results. Historically, our largest percentage 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 our Annual Report on Form 10-K for the year ended December 31, 2023, or Annual Report, and to Part I, Item 1A - "Risk Factors" of our Annual Report. For further discussion, please refer to Note 11 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements in this report.

Income Taxes

For the nine months ended September 30, 2024, we had an income tax benefit of $286,000 compared to income tax expense of $3,619,000 for the nine months ended September 30, 2023. The effective tax rates approximated 14% and 68% for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the Company had income taxes receivable of $1,814,000. We classify interest and penalties incurred on tax payments as income tax expenses. Our effective tax rates differ from statutory rates primarily because of permanent differences related to Internal Revenue Code Section 162(m). The Internal Revenue Code Section 162(m) compensation deduction limitations occurred due to changes in tax law arising from the 2017 Tax Cuts and Jobs Act.

Cash Flow and Liquidity

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

To enhance shareholder value 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, invest in to be leased assets, 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 approximately $41,261,000 as of September 30, 2024, a decrease of $23,202,000 from $64,463,000 as of December 31, 2023.

The following table shows our cash flow activities for the nine months ended September 30,

(in thousands)	2024	2023
Operating activities	$ 1,045	$ 14,750
Investing activities	$ (17,377)	$ (6,805)
Financing activities	$ 11,794	$ (3,915)

Operating Activities

During the first nine months of 2024, our operations provided $1,045,000 primarily related to cash generated by a change in our operating assets. Collection of accounts receivables provided $5,200,000 of cash, which was partially offset by cash used in growing our crop inventories of $3,365,000.

During the first nine months of 2023, our operations provided $14,750,000 primarily as a result of distributions of earnings from unconsolidated joint ventures.

Investing Activities

During the first nine months of 2024, investing activities used $17,377,000. The increase in investing activities is related to the construction of the Terra Vista and TRCC infrastructure, and we expect the costs to continue into 2025 for the first phase of this multi-family project.

We made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of $40,995,000, which included predevelopment activities for our master planned communities; $2,088,000 consisting of permitting efforts for MV; $1,014,000 consisting of permitting efforts for Grapevine; and costs related to litigation defense for Centennial of $3,110,000. At TRCC, we spent $16,750,000 of construction cost on Terra Visa at Tejon and $12,341,000 on infrastructure improvements at TRCC-East. Within our farming segment, we spent $4,531,000, which included cultural costs for orchards currently classified as under development and replacement of machinery and equipment. Additionally, we used $4,616,000 to acquire water assets. We had marketable securities of $85,769,000 that matured, and we reinvested $66,640,000. Lastly, we received proceeds of $5,783,000 from joint venture distributions and reimbursements of $3,309,000 from a Community Facilities District.

During the first nine months of 2023, investing activities used $6,805,000. We made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of $13,513,000, which includes predevelopment activities for our master planned communities; $1,444,000 consisting of permitting efforts for MV; $907,000 consisting of permitting efforts for Grapevine; and costs related to litigation defense for Centennial of $2,123,000. At TRCC, we spent $4,492,000 on infrastructure improvements at TRCC-East. Within our farming segment, we spent $3,983,000, which includes cultural costs for orchards currently classified as under development and replacing machinery and equipment. Additionally, we used $6,070,000 to acquire water assets. We had marketable securities of $91,831,000 that matured, and we reinvested $87,272,000. We contributed $3,750,000 into our unconsolidated joint ventures during the period. Lastly, we received proceeds of $10,645,200, and $1,324,000 from joint venture distributions, and water sales, respectively.

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 2024 is primarily related to our real estate projects. These estimated investments include approximately $11,488,000 of construction costs for the Terra Vista at Tejon multi-family project phase 1 development and $4,016,000 of infrastructure development at TRCC-East to support the continued commercial retail and industrial development, water treatment system improvements, and expansion of the wastewater treatment plant for future anticipated absorption. We also expect to invest up to $2,307,000 for land planning, litigation/appeals, federal and state agency permitting activities, and development activities at MV, Centennial, and Grapevine during the remainder of 2024.

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 nine months ended September 30, 2024 and 2023, was $3,175,000 and $1,828,000, respectively, and is classified within real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects, which aggregated $2,179,000 and $1,744,000 for the nine months ended September 30, 2024 and 2023, respectively. Expenditures for repairs and maintenance are expensed as incurred.

Financing Activities

During the first nine months of 2024, financing activities provided $11,794,000, which was attributable to borrowings on the line of credit of $12,000,000 to fund construction projects and other ongoing development such as Terra Vista and TRCC infrastructure, partially offset by the tax payments on vested share grants of $206,000.

During the first nine months of 2023, financing activities used $3,915,000, which was attributable to long-term debt service of $1,321,000, and tax payments on vested share grants of $2,594,000.

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

We regularly 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 September 30, 2024, total capitalization at book value was $543,625,000, consisting of $59,942,000 of debt and $483,683,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 11.0%.

On November 17, 2023, we entered into a Credit Agreement with AgWest Farm Credit, PCA, as administrative agent and letter of credit intermediary (Administrative Agent), and certain other lenders, collectively, the Revolving Credit Facility. The Revolving Credit Facility provides TRC with (i) a revolving credit line (RCL) in the amount of $160,000,000 and (ii) the option for TRC to utilize a letter of credit sub-facility in the amount of $15,000,000 (LOC Sub-Facility). The LOC Sub-Facility is part of, and not in addition to, the RCL. As further summarized below, the RCL requires interest only payments and has a maturity date of January 1, 2029.

Upon closing of the Revolving Credit Facility, funds from the RCL were used to pay off and close out the existing Bank of America, N.A. Term Note (the Bank of America Term Note) and Revolving Line of Credit Note. The amount of this pay off was $47,078,564 plus accrued interest and fees on the Bank of America Term Note. We evaluated the debt exchange under Accounting Standards Codification (ASC) 470 and determined that the exchange should be treated as a debt extinguishment. Future borrowings under the Revolving Credit Facility will be used for ongoing working capital requirements, including to fund future construction projects, farming and ranching operations, and other general corporate purposes.

To maintain availability of funds, undrawn amounts under the RCL will accrue an unused fee of 15 basis points per annum except that, for the LOC Sub-Facility, TRC will incur a fee of 2.00% per annum for each letter of credit issued to TRC. TRC's ability to borrow/draw additional funds is subject to compliance with certain financial and other covenants, some of which are further described below, and the continuing accuracy of certain representations and warranties contained in the Revolving Credit Facility.

The interest rate per annum applicable to the Revolving Credit Facility is one-month term SOFR plus an interest rate spread that is based on TRC's consolidated net liabilities to equity ratio (NLER). The interest rate spread for the NLER has three tiers: (1) 2.75% if the NLER is 55% or more; (2) 2.5% if the NLER is between 35% and less than 55%; and (3) 2.25% if the NLER is less than 35%. The interest rate spread in the previous sentence may effectively be reduced by applying a patronage credit for TRC's participation in the farm credit program, which patronage credit historically has been (for reference and information purposes only and not as a guarantee of future patronage credit) between 100-125 basis points. The Administrative Agent pays the patronage credit annually in the form of a dividend. As of September 30, 2024, the Company's NLER was in tier 3, or less than 35%, and the applicable interest rate spread was 2.25%.

The Revolving Credit Facility requires the payment of interest only during the term, at which point the full drawn amount, plus accrued interest, must be repaid by the maturity date, if TRC has not earlier repaid the borrowed amount or extended the maturity date. The RCL may be repaid in part, or in full, by TRC at any time during the term without penalty. Certain events of default (as described in the Revolving Credit Facility) allow acceleration of repayment of borrowed funds, interest and other fees. The Revolving Credit Facility is unsecured, but the agreement provides the Administrative Agent a springing lien on TRC's wholly owned, unencumbered assets, exclusive of assets subject to negative pledge, if one or more covenants is breached.

The Revolving Credit Facility requires compliance with three financial covenants: (a) total liabilities divided by tangible net worth not greater than 0.55 to 1.00 at each year end; (b) a debt service coverage ratio not less than 1.50 to 1.00 as of each year end on a rolling four quarter basis; and (c) a liquidity ratio not less than 2.00 to 1.00 at each year end.

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

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

At September 30, 2024 and December 31, 2023, we were in compliance with all financial covenants.

We expect that 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"), or issuance of additional common stock.

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

We had a strong liquidity position at September 30, 2024 with $41,261,000 in cash and securities and $100,058,000 available on our RLC to meet any short-term liquidity needs. 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/or 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 September 30, 2024, to be paid over the next five years and thereafter:

	Payments Due by Period				
(In thousands)	Total	One Year or Less	Years 2-3	Years 4-5	Thereafter
Contractual Obligations:					
Estimated water payments	$ 288,905	$ 3,593	$ 28,901	$ 30,662	$ 225,749
Revolving line-of-credit	59,942	—	—	59,942	—
Cash contract commitments	52,125	19,784 [1]	31,011 [1]	259	1,071
Defined Benefit Plan	5,196	374	975	996	2,851
SERP	5,236	498	1,138	1,100	2,500
Total contractual obligations	$ 411,404	$ 24,249	$ 62,025	$ 92,959	$ 232,171

1 - The increase represents our contractual commitments related to our multifamily development.

The table above includes only those contracts that include fixed or minimum obligations. It does not include normal purchases that 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 WRMWSD, 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 and multi-family developments and entitlement costs related to our industrial and residential development projects. Also, included in the cash contract commitments are estimated fees earned in 2014 by a consultant, related to the entitlement of the Grapevine Development Area. We exited a consulting contract in 2014 related to the Grapevine Development and are obligated to pay an earned incentive fee at the time of successful receipt of all project permits and entitlements and at a value measurement date five-years after project permits have been achieved for Grapevine. The final amount of the incentive fees will not be finalized until the future payment dates. We believe that net savings from exiting the contract over this future time period will more than offset the incentive payment costs.

As discussed in Note 12 (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 us to the plan trust, estimates of payments to employees from the plan trust, and estimates of future payments to employees from us that are in the SERP program. We expect to contribute $165,000 to our defined benefit plan in the fourth quarter of 2024.

Off-Balance Sheet Arrangements

TRPFFA is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within our Kern County developments. TRPFFA created two CFDs, the West CFD and the East CFD. The West CFD has placed liens on 420 acres of our land to secure payment of special taxes related to $19,540,000 of bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of our land to secure payments of special taxes related to $95,660,000 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 $18,605,000 of additional bond debt authorized by TRPFFA.

As of September 30, 2024, aggregate outstanding debt of unconsolidated joint ventures was $222,746,000; $20,626,000 was attributable to the loan for TRCC/Rock Outlet joint venture. This loan was 100% guaranteed at September 30, 2024. All other outstanding debt attributed to our joint ventures have met their respective debt covenants, and hence were not subject to an effective guarantee at September 30, 2024. We do not provide a guarantee on the $11,984,000 of debt related to our joint venture with TA/Petro.

Non-GAAP Financial Measures

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023
Net (loss) income	$ (1,836)	$ (347)	$ (1,794)	$ 1,697
Net loss attributable to non-controlling interest	—	(6)	(1)	(3)
Interest, net				
Consolidated	(528)	(700)	(1,843)	(1,775)
Our share of interest expense from unconsolidated joint ventures	1,532	1,216	4,625	3,618
Total interest, net	1,004	516	2,782	1,843
Income tax expense (benefit)	1,832	2,215	(286)	3,619
Depreciation and amortization:				
Consolidated	1,216	1,028	3,137	3,003
Our share of depreciation and amortization from unconsolidated joint ventures	1,695	1,393	4,989	4,005
Total depreciation and amortization	2,911	2,421	8,126	7,008
EBITDA	3,911	4,811	8,829	14,170
Stock compensation expense	1,732	864	4,086	2,369
Adjusted EBITDA	$ 5,643	$ 5,675	$ 12,915	$ 16,539

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 commercial real estate assets.

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Commercial/Industrial operating income	$ 914	$ 1,260	$ 2,492	$ 3,189
Plus: Commercial/Industrial depreciation and amortization	105	108	319	327
Plus: General, administrative, cost of sales and other expenses	1,835	1,927	5,197	4,824
Less: Other revenues including land sales	(629)	(954)	(2,115)	(2,154)
Total Commercial/Industrial net operating income	**$ 2,225**	**$ 2,341**	**$ 5,893**	**$ 6,186**

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
Net operating income	2024	2023	2024	2023
Pastoria Energy Facility	$ 1,491	$ 1,572	$ 3,763	$ 3,997
TRCC	331	350	998	947
Communication leases	270	252	782	773
Other commercial leases	133	167	350	469
Total Commercial/Industrial net operating income	**$ 2,225**	**$ 2,341**	**$ 5,893**	**$ 6,186**

We utilize 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 14 (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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Earnings of unconsolidated joint ventures	$ 5,729	$ 1,975	$ 13,221	$ 7,856
Interest expense of unconsolidated joint ventures	3,029	2,389	9,131	7,116
Operating income of unconsolidated joint ventures	8,758	4,364	22,352	14,972
Depreciation and amortization of unconsolidated joint ventures	3,235	2,620	9,522	7,578
Net operating income of unconsolidated joint ventures	$ 11,993	$ 6,984	$ 31,874	$ 22,550

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 Consolidated Financial Statements.

Our current RCL has a $59,942,000 outstanding balance. The interest rate on this line of credit can float at a rate equal to one-month term SOFR plus 2.25% for an effective rate of 7.45% at September 30, 2024. During the term of this RCL (which matures in January 2029), we can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary outstanding balances.

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

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

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At September 30, 2024
(In thousands except percentage data)

	2024	2025	2026	2027	2028	Thereafter	Total	Fair Value
Assets:								
Marketable securities	$6,270	$7,602	$—	$—	$—	$—	$13,872	$13,892
Weighted average interest rate	4.98%	4.97%	—%	—%	—%	—%	4.97%	
Liabilities:								
Revolving line-of-credit	$—	$—	$—	$—	$—	$59,942	$59,942	$59,942
Weighted average interest rate[1]	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	

[1]The effective interest rate on this line of credit is SOFR plus a margin of 2.25%, and the rate was 7.45% as of September 30, 2024.

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At December 31, 2023
(In thousands except percentage data)

	2024	2025	2026	2027	2028	Thereafter	Total	Fair Value
Assets:								
Marketable securities	$32,576	$—	$—	$—	$—	$—	$32,576	$32,556
Weighted average interest rate	5.27%	—%	—%	—%	—%	—%	5.27%	
Liabilities:								
Revolving line-of-credit	$—	$—	$—	$—	$—	$47,942	$47,942	$47,942
Weighted average interest rate[1]	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	S+2.25%	

[1]The effective interest rate on this line of credit is SOFR plus a margin of 2.25%, and the rate was 7.59% as of December 31, 2023.

Commodity Price Exposure

Farming inventories and accounts receivable are exposed to adverse price fluctuations. Farming inventories consist 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.

As of September 30, 2024, there were no receivables that were subject to commodity price fluctuations given that there were no pistachio crop receivables that were at risk to changing prices.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, management conducted 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 to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures 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 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings
Please refer to Note 11 (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
(a) None

(b) Not applicable.

(c) 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	FN 28
10.40	First Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 29
10.41	Second Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 30
10.42	Limited Liability Company Agreement of TRC-MRC 3, LLC	FN 31
10.43	Fourth Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 32
10.44	Centennial Founders, LLC Redemption and Withdrawal Agreement - CalAtlantic	FN 33
10.45	Amended Revolving Line of Credit	FN 34
10.46	Amended Term Note	FN 35
10.47	*Executive Severance Agreement - Executive Severance Agreement - Gregory S. Bielli	FN 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.	FN 43
10.53	Executive Officer Severance Agreement – Marc Hardy	FN 44
10.54	Credit Agreement Between Tejon Ranchcorp and AgWest Farm Credit, PCA	FN 45
10.55	Consulting Letter Agreement between Tejon Ranch Co. and Gregory S. Bielli	FN 46
10.56	Limited Liability Company Agreement of TRC-DP 1, LLC	Filed herewith
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101.INS	XBRL Instance Document.	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
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 3.1 to our Current Report on Form 8-K filed on March 24, 2023, 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 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 period ended March 31, 2022, is incorporated herein by reference.
FN 43	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.52 to our Quarterly Report on Form 10-Q for the period ended September 30, 2022, is incorporated herein by reference.
FN 44	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.53 to our Quarterly Report on Form 10-Q for the period ended June 30, 2023, is incorporated herein by reference.
FN 45	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.01 to our Current Report on Form 8-K on November 20, 2023, is incorporated herein by reference.

FN 46	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.01 to our Current Report on Form 8-K on March 26, 2024, 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.

November 7, 2024
Date

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

November 7, 2024
Date

/s/ Brett A. Brown
Brett A. Brown
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

November 7, 2024
Date

/s/ Robert D. Velasquez
Robert D. Velasquez
Senior Vice President, Finance and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.56

LIMITED LIABILITY COMPANY AGREEMENT OF TRC-DP 1, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT OF TRC-DP 1, LLC is entered into effective as of October 4, 2024 (the "Effective Date"), by and between TRCC – WEST ONE LLC, a California limited liability company ("Tejon"), and DP NOJET, LLC, a Delaware limited liability company ("DP"). The capitalized terms used herein shall have the respective meanings assigned to such terms in Article XIV.

ARTICLE I
FORMATION

1.01 Formation

The Members hereby form a Delaware limited liability company pursuant to the provisions of the Delaware Act and this Agreement. In connection therewith, the Administrative Member, as an authorized person of the Company, shall execute (i) a Certificate of Formation for the Company in accordance with the Delaware Act, which shall be duly filed with the Office of the Delaware Secretary of State, and (ii) an Application to Register a Foreign Limited Liability Company (Form LLC-5), which shall be duly filed with the Office of the California Secretary of State. The Administrative Member shall also execute, acknowledge and/or verify such other documents and/or instruments as may be necessary and/or appropriate to form the Company under the Delaware Act, to continue its existence in accordance with the provisions of the Delaware Act and/or to register, qualify to do business and/or operate its business in California as a foreign limited liability company in accordance with the provisions of the California Act.

1.02 Names and Addresses

The name of the Company is "TRC-DP 1, LLC." The registered office of the Company in the State of Delaware shall be at 850 New Burton Road, Suite 201, Dover, Delaware 19904. The name and address of the registered agent for the Company in the State of Delaware shall be National Corporate Research, Ltd., 850 New Burton Road, Suite 201, Dover, Delaware 19904. The name and address of the registered agent for the Company in the State of California shall be Brett Dedeaux, c/o Dedeaux Properties, 1222 6th Street, Santa Monica, California 90401. The principal office of the Company shall be at 1222 6th Street, Santa Monica, California 90401. The names and addresses of the Members are set forth on Exhibit "A" attached hereto.

1.03 Nature of Business

The express, limited and only purposes for which the Company is to exist are (i) to acquire from Tejon Industrial Corp., a California corporation ("Tejon Industrial Corp.") that certain real property, which contains approximately twenty-four and 57/100ths (24.57) net acres of usable land located within the Tejon Ranch Commerce Center in the County of Kern, State of California, described more particularly on Exhibit "B" attached hereto (the "Property"), (ii) to develop and construct upon the Property a Class A industrial building containing approximately

five hundred ten thousand three hundred eighty-five (510,385) square feet of space, together with parking and any and all related on-site and off-site improvements appurtenant thereto (collectively, the "Improvements"), (iii) to own, lease, maintain, manage, finance, refinance, recapitalize, hold for long-term investment, market, sell, exchange, transfer and otherwise realize the economic benefit from the Property and the Improvements (collectively, the "Project"), and (iv) to conduct such other activities with respect to the Project as are necessary and/or appropriate to carrying out the foregoing purposes and to do all things incidental to or in furtherance of the above enumerated purposes.

1.04 Term of Company

The term of the Company shall commence on the date the Certificate of Formation for the Company is filed with the Office of the Delaware Secretary of State, and shall continue in perpetuity, unless dissolved sooner pursuant to Section 12.01. The existence of the Company as a separate legal entity shall continue until the cancellation of the Company's Certificate of Formation.

ARTICLE II
MANAGEMENT OF THE COMPANY

2.01 Formation of Executive Committee

(a) Executive Committee Matters. Any matter requiring the consent or approval of the Members under this Agreement shall be made by the Members acting through an executive committee (the "Executive Committee") in accordance with the provisions of this Section 2.01 and Section 2.02. The Executive Committee shall also be responsible for approving the general strategic direction of the Project and for establishing the policies and procedures to be followed by the Administrative Member.

(b) Composition of the Executive Committee. The Executive Committee shall be composed of four (4) representatives (individually, a "Representative" and collectively, the "Representatives"). Each Member shall appoint two (2) Representatives to the Executive Committee. Tejon hereby appoints Allen Lyda ("Lyda") and Hugh McMahon ("McMahon") as its initial Representatives. DP hereby appoints Brett Dedeaux and Matt Evans as its initial Representatives. If the initial or replacement Representative of any Member ceases to serve, then such Member shall replace its Representative with a new Representative. Any replacement Representative appointed by a Member pursuant to the preceding sentence shall be subject to the approval of the other Member, which approval may not be unreasonably withheld, conditioned or delayed. The authorized number of Representatives on the Executive Committee may be increased or decreased only with the prior written approval of both Members.

2.02 Committee Procedures

(a) Quorum. A "Quorum" for the Executive Committee shall be the presence of at least one (1) Representative of each Member. In the absence of a Quorum, the Representative(s) of the Executive Committee so present may adjourn the

meeting until a Quorum is present. The Executive Committee shall meet at least quarterly on a day designated by the Administrative Member. The Executive Committee shall hold such other regularly scheduled meetings as are determined by the Administrative Member. Operational meetings shall also be held on an ad hoc basis with the Executive Committee Representatives and/or their representatives including, without limitation, designated leasing/development managers. Meetings shall be held on a Business Day at the principal office of the Company during normal business hours, unless otherwise agreed to by the Executive Committee. Notice of any regularly scheduled meeting of the Executive Committee shall be given by the Administrative Member to all of the Representatives no fewer than ten (10) days and no more than thirty (30) days prior to the date of any such meeting. Any Representative may participate telephonically in any regular meeting of the Executive Committee. The attendance of a Representative of the Executive Committee at a regularly scheduled meeting of the Executive Committee (either in person or telephonically) shall constitute a waiver of notice of such meeting, except where a Representative of the Executive Committee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not properly called or convened. Minutes of the Executive Committee shall not be required to be prepared or maintained. Resolutions of the Executive Committee, when signed by a Quorum present at the applicable meeting, shall be binding and conclusive evidence of the decisions reflected therein and any authorization granted thereby.

(b) Decisions of the Executive Committee. Subject to Section 2.02(f), all decisions and actions of the Executive Committee shall require the affirmative vote of (i) a majority of the Representatives present at such meeting, and (ii) at least one (1) Representative appointed by each Member at a meeting at which a Quorum is present.

(c) Special Meetings. Special meetings of the Executive Committee may be called by or at the request of any Representative and shall be held on a Business Day at the principal office of the Company. Notice of any such special meeting of the Executive Committee shall be given by the calling Representative specifying the time of the meeting to all of the other Representatives no fewer than two (2) Business Days and no more than ten (10) days prior to the date of such meeting. Any Representative may participate telephonically in any special meeting of the Executive Committee. The attendance of a Representative of the Executive Committee at a special meeting of the Executive Committee (either in person or telephonically) shall constitute a waiver of notice of such meeting, except where a Representative of the Executive Committee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not properly called or convened. The business to be transacted at, and the purpose of, any special meeting of the Executive Committee need not be specified in the notice or waiver of notice of such meeting. Notice of any special meeting may be waived by each Representative of the Executive Committee.

(d) Telephonic Participation. Representatives of the Executive Committee may participate in any meetings of the Executive Committee telephonically or through other similar communications equipment provided that all of the Representatives participating in such meeting can hear each another. Participation in a meeting pursuant

to the preceding sentence shall constitute presence in person at such meeting for all purposes of this Agreement.

(e) Transaction of Business. Provided that notice of a meeting has been given in the manner set forth herein, a Quorum shall be entitled to transact business at any meeting of the Executive Committee.

(f) Actions Without Meetings. Any decision or action required or permitted to be taken at a meeting of the Executive Committee or any other decision or action that may be taken at a meeting of the Executive Committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by at least one (1) Representative of each Member, which shall have the same effect as an act taken at a properly called and constituted meeting with a Quorum of the Executive Committee at which all of the Representatives of the Executive Committee were present and voting.

(g) Proxies. Each Representative may authorize one (1) or more individuals to act for him or her by proxy, but no such proxy shall be voted or acted upon after sixty (60) days from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A Representative may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Administrative Member.

(h) Limitations on Authority. None of the Members, Representatives or Officers, without the prior written consent of the Executive Committee, may take any action on behalf of or in the name of the Company, or enter into any commitment or obligation binding upon the Company, except for (i) actions expressly authorized by this Agreement, and (ii) actions by any Member (or Representative or Officer) within the scope of such Member's (or Representative's or Officer's) authority granted under this Agreement.

(i) Compensation. Except as otherwise approved by the Executive Committee, no Representative shall be entitled to receive any salary, remuneration or reimbursement from the Company for his or her services as a Representative.

(j) Involvement of the Representatives. Each Member shall cause each Representative appointed by such Member to devote such time as is reasonably necessary to carry out such individual's duties and obligations as a Representative of the Executive Committee.

(k) Resolving Deadlocks. If the Executive Committee is deadlocked on any Major Decision (as defined in Section 2.04), then the Representatives shall consult with one another in a good faith attempt to resolve such deadlock for a period of thirty (30) days (or such longer period as is unanimously agreed to by the Representatives). The failure of the Representatives to resolve any impasse for any

reason with respect to any Fundamental Decision prior to the expiration of such thirty (30)-day period shall constitute an "Impasse Event" under this Agreement (so long as the deadlock that resulted in such impasse remains unresolved). The term "Fundamental Decision" means any Major Decision described in Sections 2.04(a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), (o), (p), (s), (w) or (x). After the expiration of such thirty (30)-day period, either Member may elect to exercise the buy/sell provisions contained Article VIII (subject to satisfying the requirements of Article VIII).

2.03 Administrative Member

The Members hereby initially designate DP as the "Administrative Member" of the Company. The Administrative Member shall serve as the Administrative Member, unless and until it resigns as provided in Section 2.17(b), is removed pursuant to Section 2.17(c) or ceases to be a member of the Company. The Administrative Member hereby agrees to carry out the business and affairs of the Company in accordance with the Management Standard and to devote such time to the Company as is necessary for the efficient operation of the business and affairs of the Company. The term "Management Standard" means the care exercised by a reasonably prudent commercial real estate developer and manager in Southern California for industrial projects similar in size, nature and location to the Project under the circumstances then prevailing with respect to the entire Project, in full compliance with all applicable laws and legal requirements (subject to the provision of required capital by the Company) and in accordance with the exercise of sound and prudent business practices. Subject to the terms of this Agreement (including Sections 2.04, 2.11, 2.12, 2.13 and 2.14 and Article XI, which assign certain obligations or decision-making authority to Tejon or the Executive Committee), the Administrative Member shall be responsible for (i) preparing and implementing each Approved Business Plan (including, without limitation, each Development Plan, Development Budget, Operating Budget and Marketing Plan contained therein), (ii) implementing the decisions of the Executive Committee, (iii) reporting to the Executive Committee as to the status of the business and affairs of the Company, (iv) managing, supervising, and conducting the day-to-day business and affairs of the Company, (v) managing the accounting and the contract and lease administration for the Project prior to the completion of the Improvements, and (vi) performing such other services that are delegated to the Administrative Member under this Agreement including, without limitation, (A) the development and construction management services delegated to the Administrative Member under Section 2.11, and (B) the marketing and leasing management services delegated to the Administrative Member under Section 2.13. The Administrative Member may not assign or delegate its duties or obligations under this Agreement without the prior written consent of the Executive Committee, which may be withheld in its sole and absolute discretion; provided, however, DP may delegate certain of its accounting, reporting and administration duties hereunder to Noble Street Advisors LLC ("NSA") during the period prior to the completion of the Improvements provided (1) DP shall be solely responsible for paying NSA's fees and costs without any reimbursement or right to recover any such payment from the Company, and (2) any such delegation shall not release or limit the liability of DP under this Agreement for the performance of such delegated duties.

2.04 Approval of Major Decisions

Notwithstanding any other provision contained in this Agreement, neither the Administrative Member nor the other Member may cause the Company to undertake, and the prior approval of the Executive Committee shall be required for, any and all of the following matters (collectively, the "Major Decisions"), unless and to the extent such matters have been specifically approved in the applicable Approved Business Plan:

(a) Approved Business Plans. The approval of each business plan for the Company (and any material amendment, modification, revision or update thereof) including each Development Plan, Development Budget, Operating Budget and Marketing Plan contained therein;

(b) Construction of Improvements. The development and/or construction of any improvements including, without limitation, any vertical, horizontal, tenant or other improvements (provided that any tenant improvements required by an approved lease shall be deemed approved by the Executive Committee);

(c) Sale of Project. The sale, exchange, transfer or other disposition of all or any portion of the Project (exclusive of any lease of any portion of the Project);

(d) Lease of the Project. The form and execution of any lease for all or any portion of the Project or any amendment, modification, extension or termination of any lease for all or any portion of the Project (exclusive of the form of lease for the Project approved by the Executive Committee on or before the approval of the initial Approved Business Plan for the Company);

(e) Financing. The procurement of any financing or refinancing (including, without limitation, any acquisition, development, construction, recapitalization, interim and long-term financing or refinancing in connection with the Project or the entering into of any modification, amendment or other agreement of any financing or refinancing);

(f) Plans and Specifications. Except as previously approved in the Approved Business Plan or in any lease previously approved by the Executive Committee, and except for any change order within the limits of Section 2.04(i), the approval of the plans and specifications for the Improvements and any tenant improvements (and any material amendment or material modification thereof);

(g) Selection and Retention of Architect and Engineer. Except for the Tejon Consultants and the DP Consultants (as such terms are defined in Section 3.01(b) below) and except as previously approved in the Approved Business Plan, the selection and/or retention by the Company of any architect, structural engineer or other consultant in connection with the construction of the Improvements or any tenant improvements and the terms of any contract entered into by and between the Company and any such architect, engineer or other consultant (and any amendment, modification or termination of any contract entered into and/or assumed by the Company with any architect or engineer including any Tejon Consultant);

(h) Construction Contract. The selection and/or retention by the Company of any general contractor and the execution or delivery by the Company of any construction contract and any amendment, modification or termination of any construction contract, but excluding any amendment or modification to the Construction Contract (as defined in Section 2.10) resulting from any change order previously approved under Section 2.04(i) below;

(i) Change Orders. The approval by the Company of any change order relating to the construction of the Improvements or any tenant improvements (exclusive of any such change order that is the responsibility of the tenant under any Company lease) if (i) such change order would cause a material change in the quality of the Improvements, (ii) the cost of any such change order exceeds Fifty Thousand Dollars ($50,000), or (iii) the aggregate cost of the change order under consideration, together with all prior approved change orders, exceeds Three Hundred Thousand Dollars ($300,000);

(j) Capital Contributions. The making of any capital contribution under Section 3.02 required to enable the Company (i) to pay any cost or expense that is not approved in the Approved Business Plan (taking into account any variances allowed under this Agreement), or (ii) to pay any construction cost overrun incurred by the Company that is an Excess Cost Overrun (as defined below);

(k) Selection and Retention of Replacement Property Manager. The selection and/or retention by the Company of any property manager that will replace Tejon as a property manager for the Project and the execution or delivery by the Company of any property management agreement with any such replacement property manager and any amendment, modification, extension or termination of any such property management agreement entered into with any such replacement property manager;

(l) Selection and Retention of Attorneys. The selection and/or retention of any attorney by the Company; provided that both Cozen O'Connor and Allen Matkins Leck Gamble Mallory & Natsis LLP are both approved as counsel for the Company;

(m) Expenditures Outside of Budgets. The making of any expenditure by the Company that is not specifically included or contemplated under any Approved Business Plan for the Company, other than as permitted under Section 2.08 and/or Section 2.09;

(n) Contracts with Affiliates. Except as provided in Sections 2.11, 2.12, 2.13 and 2.14, the entry into by the Company of any contract with or otherwise making any payment to any Member or any Affiliate of any Member and with respect to any such contract, the making of any material amendment, modification, extension and/or rescission thereof; the declaration of a default thereunder; the institution, settlement and/or compromise of a claim with respect thereto; the waiver of any rights of the Company against the other party(ies) thereto; or the consent to the assignment of any rights and/or the delegation of any duties by the other party(ies) thereto;

(o) Material Agreements. Except as provided in the Approved Business Plan and in Section 2.14, the execution or delivery by the Company of any agreement obligating the Company to pay an amount of more than One Hundred Fifty Thousand Dollars ($150,000) and any amendment, modification, extension or termination of any such agreement, including, without limitation, any agreement providing for the payment of any commission, fee or other compensation payable in connection with the sale of all or any portion of the Project;

(p) Rebuild. The election to rebuild all or any portion of the Project following a casualty with respect to any portion of the Project, except to the extent such rebuilding is required to comply with the financing documents for any Loan obtained by the Company;

(q) Press Release. The making of any press release for any purpose relating to the Company or the Project;

(r) Employees. The hiring of any employee by the Company;

(s) Taxes and Accounting. The selection or changing of the Company's depreciation or other tax accounting methods or elections, changing the Fiscal Year or taxable year of the Company, or making any other material decisions with respect to the treatment of various transactions for accounting or tax purposes that may adversely affect the Members;

(t) Confess Judgments. The confession of a judgment against the Company for an amount that exceeds One Hundred Thousand Dollars ($100,000); the payment, compromise, settlement or other adjustment of any claims against the Company for an amount that exceeds One Hundred Thousand Dollars ($100,000); or the commencement or settlement of any legal actions or proceedings brought by or against the Company if the amount in dispute with respect to such action or proceeding exceeds One Hundred Thousand Dollars ($100,000);

(u) Loans. The lending of any funds by the Company to any Member or any Affiliate thereof or to any third party, or the extension by the Company of credit to any Person on behalf of the Company;

(v) Guaranty. The execution or delivery of any document or agreement that would cause the Company to become a surety, guarantor, endorser, or accommodation endorser for any Person, except to the extent such guaranty or endorsement is included in the then applicable Approved Business Plan;

(w) Bankruptcy. Any of the following: (i) the filing of any voluntary petition in bankruptcy on behalf of the Company; (ii) the consenting to the filing of any involuntary petition in bankruptcy against the Company; (iii) the filing by the Company of any petition seeking, or consenting to, the reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency; (iv) the consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of the Company's property; (v) the making

of any assignment by the Company for the benefit of creditors; (vi) the admission in writing of the Company's inability to pay its debts generally as they become due; or (vii) the taking of any action by the Company in furtherance of any such action;

(x) Admission and Withdrawals. Except as permitted pursuant to Article VI, Article VII and Article VIII, the admission or withdrawal of any member into or from the Company;

(y) Merger or Consolidation. The entry into by the Company of any merger, consolidation or other material corporate transaction;

(z) Acquisition of Property. The acquisition of any property by the Company (other than the Property) and the terms and conditions for any such acquisition;

(aa) Purpose. The modification or change in the business purpose of the Company;

(bb) Amendments to the Agreement. Any amendment to this Agreement (other than amendment reflecting the admission or withdrawal of a Member in accordance with the provisions of Articles VI, Article VII and Article VIII);

(cc) Engaging in Other Businesses. The engagement of the Company in any business or activity outside the scope of the Company's business set forth in this Agreement;

(dd) Dissolution. Except as required by this Agreement, the dissolution or Liquidation of the Company;

(ee) Acts in Contravention. Any act in contravention of this Agreement; and

(ff) Other Matters. Any other decision or matter described as a Major Decision in this Agreement.

Without limiting the generality of the foregoing provisions of this Section 2.04, neither the Administrative Member nor the other Member shall undertake any action, expend any sum, make any decision, give any consent, approval or authorization or incur any obligation with respect to any of the foregoing Major Decisions, unless and until such matter has been approved by the Executive Committee (or such matter has been specifically approved in the then applicable Approved Business Plan). Each Representative of the Executive Committee may withhold its approval of any Major Decision in such Representative's sole and absolute discretion, except for the Major Decisions described in Sections 2.04(a), (e), (f), (g), (i),(j), (k), (l) and (s) (for which such approval shall not be unreasonably withheld, delayed or conditioned).

Notwithstanding anything to the contrary in this Agreement, either Member may, without prior approval of the Executive Committee, take any action reasonably necessary to protect life or property, in the event of an emergency where it is impractical to obtain such prior approval; provided that the Member taking the action shall use its reasonable efforts to advise the

Representatives as soon as possible of the nature of the emergency and the emergency actions taken.

2.05 Consents and Approvals

Either Member may seek the approval of the Executive Committee with respect to any proposed matter set forth in Section 2.04 by delivering written notice to the Representatives describing such proposed action in sufficient detail so as to enable the Representatives to exercise an informed judgment with respect thereto. Such notice shall constitute a call for a special meeting of the Executive Committee as provided in Section 2.02(c) and shall specify a time for the meeting and shall be deemed a notice by the requesting Member's Representatives for purposes of Section 2.02(c). The Executive Committee shall then meet and either approve or disapprove the proposed action. The Representative(s) of the other Member shall set forth their reasons if they disapprove such action, or may approve the requested action without a meeting as provided in Section 2.02(f). If the Executive Committee fails to meet or otherwise approve the requested action (as provided herein) on or before the expiration of the Response Period, then it shall be conclusively presumed to have disapproved such action. The term "Response Period" means (i) if a response time is expressly set forth in this Agreement, then the period of time during which the Member is required to respond, or (ii) if no response time period is expressly set forth in this Agreement, then five (5) Business Days following the effective date of the written notice describing any proposed action requiring the consent or approval of such Member.

2.06 Pre-Development Budget

The Members have approved the pre-development budget for the Company(the "Pre-Development Budget"), which is set forth on Exhibit "C" attached hereto. The Pre-Development Budget sets forth the pre-development costs and expenses that have been incurred by Tejon Industrial Corp. with respect to the Property prior to the Effective Date and the estimated pre-development costs and expenses that will be incurred by the Company prior to the Company's acquisition of the Property. The pre-development costs and expenses include, without limitation, (i) the costs and expenses incurred by Tejon Industrial Corp. prior to the Effective Date relating to the design and engineering for the Project, (ii) the costs and expenses incurred by Tejon Industrial Corp. prior to the Effective Date to obtain the approvals necessary to proceed with the development of the Project, and (iii) the estimated costs and expenses to be incurred by each Member in connection with the preparation of the Development Plan and Development Budget. Any amounts contributed by any Member to the Company to fund any pre-development costs will be reimbursed from the proceeds of the Construction Loan to the extent approved by the Lender of the Construction Loan (which reimbursement shall reduce such Member's Capital Account and Unreturned Contribution Account on the date such reimbursement is received). Neither Member shall cause the Company to incur any costs or expenses in connection with the pre-development of the Project, unless such costs and expenses are set forth in the Pre-Development Budget (or the Executive Committee otherwise approves such costs or expenses in its sole and absolute discretion). In addition, no Member shall be reimbursed by the Company for any costs or expenses incurred in connection with the pre-development of the Project, except to the extent such costs and expenses are set forth in the Pre-

Development Budget (or the Executive Committee otherwise approves such costs or expenses in its sole and absolute discretion).

2.07 Approved Business Plan

Within ninety (90) days following the execution and delivery of this Agreement, the Administrative Member shall prepare and submit to the Executive Committee for its review and approval the annual business plan for the Company's first Business Plan Period. If the Administrative Member does not deliver the annual business plan for the first Business Plan Period to the Executive Committee within such ninety (90)-day period (or such later date that is approved by Tejon in its sole and absolute discretion), then Tejon shall have the right, in its sole and absolute discretion, at any time thereafter, to elect to dissolve the Company by delivering written notice of such election to the Administrative Member in accordance with the terms of Section 12.01(a) (provided such right shall terminate if and when the Executive Committee approves the initial business plan for the Company). If the Administrative Member timely delivers the annual business plan to the Executive Committee for the Company's first Business Plan Period, but the Executive Committee does not approve such business plan for any reason within ten (10) Business Days following the submission of such plan to the Executive Committee, then each Member shall have the right, in its sole and absolute discretion, at any time thereafter, to elect to dissolve the Company by delivering written notice of such election to the other Member in accordance with the terms of Section 12.01(b) (provided such right shall terminate if and when the Executive Committee approves the initial annual business plan). Within three (3) Business Days following the approval by the Executive Committee of both the annual business plan for the first Business Plan Period and the Construction Loan described below, Tejon shall cause Tejon Industrial Corp. to execute and deliver that certain Contribution Agreement and Joint Escrow Instructions in the form attached hereto as Exhibit "D" (the "Contribution Agreement") which shall then be executed by the Company and deposited into the escrow for the Construction Loan and become effective immediately prior to the closing of the Construction Loan.

On or before the Applicable ABP Date (as defined below), the Administrative Member shall submit a new annual business plan for each ensuing Business Plan Period to the Executive Committee. Each annual business plan shall be subject to the review and approval of the Executive Committee and include, without limitation, (i) a narrative description of the proposed objectives and goals for the Company, which shall include a description of any major transaction to be undertaken by the Company for such Business Plan Period (or other period); (ii) the proposed terms of any financing to be obtained by the Company (including, without limitation, the proposed terms of the Construction Loan), (iii) a pro forma financial analysis for the Project, (iv) for the first Business Plan Period, a Development Plan and Development Budget as described in Section 2.08 for the Improvements; (v) for the second Business Plan Period, the status of the construction of the Improvements; (vi) following the Project Stabilization Date (as reasonably determined by the Administrative Member), a revised Operating Budget, as more particularly described in Section 2.09 below; (vii) a Marketing Plan as described in Section 2.13 for the Improvements; and (viii) such other items as are reasonably requested by either Member. The term "Applicable ABP Date" means (A) with respect to the Company's second Business Plan Period, thirty (30) days after the start of such second Business Plan Period; (B) with respect to the Company's third Business Plan Period, the later of (1) thirty (30) days after the start of the

Company's second Business Plan Period, or (2) ninety (90) days prior to the start of such third Business Plan Period; and (C) with respect to all subsequent Business Plan Periods, ninety (90) days prior to the start of each such Business Plan Period.

The annual business plan for the applicable Business Plan Period (or other period) that is approved by the Executive Committee is referred to as the "Approved Business Plan." The Company shall pay all reasonable third-party out-of-pocket costs incurred by either Member or the Company after the Effective Date in preparing each proposed annual business plan, including any costs of doing the investigations and obtaining necessary approvals for construction of the Improvements provided for in the Development Plan to the extent such costs and expenses are set forth in the Pre-Development Budget, regardless of whether the annual business plan for the first Business Plan Period is ultimately approved by the Executive Committee.

2.08 Development and Construction of Improvements

The Approved Business Plan for the Company's first Business Plan Period shall include a plan for the development and construction of the Improvements (the "Development Plan") and a development/construction budget (the "Development Budget") setting forth the estimated costs and expenses (including any pre-development costs) to be incurred by the Company in connection with the development and construction of the Improvements. The Development Plan for the Improvements shall include, without limitation, the architectural design for the Improvements, the construction plans and specifications for such Improvements, a development and construction schedule for the Improvements, the projected dates for the commencement and completion for the Improvements and any fees that the Members (and/or any Affiliates or representatives thereof) are entitled to receive as consideration for providing services to the Company in connection with the development and construction of the Improvements.

The Development Budget shall set forth on an itemized basis all of (i) the estimated hard and soft construction costs to be incurred by the Company in developing and constructing the Improvements pursuant to the Development Plan (which estimated hard construction costs shall be based on actual bids obtained by the Administrative Member), and (ii) a projection setting forth the estimated revenues, expenses and net operating income (or loss) for the Project for the period commencing as of the substantial completion of the Project through the Project Stabilization Date. The Administrative Member shall have the right, power and authority without the consent of the other Member (A) to apply up to fifty percent (50%) of the contingency line item and any line item cost savings to other line items, and (B) to cause the Company to incur expenditures in excess of any line item, provided that any such expenditure does not exceed, in the case of a change order, the limit specified in Section 2.04(i), or otherwise such line item by more than the lesser of (1) ten percent (10%) of such line item, or (2) Fifty Thousand Dollars ($50,000), after the application of any contingency line item and/or cost savings. The Administrative Member shall also have the right, power and authority to incur actual expenditures on behalf of the Company (with Company funds) for (a) any of the items set forth in any approved Development Budget, as the same may be adjusted in accordance with the foregoing provisions of this Section 2.08, and (b) any items outside of an approved Development Budget provided such item does not exceed Twenty-Five Thousand Dollars ($25,000) alone or all of such expenditures do not exceed One Hundred Thousand Dollars ($100,000) in the aggregate, without the further consent of the other Member.

2.09 Operating Budget

Within thirty (30) days after the Project Stabilization Date, Tejon shall prepare an operating budget for the Project (the "Operating Budget"), which shall include, without limitation, on a detailed itemized basis for the Project and the Company, (i) all estimated receipts projected for the period of such Operating Budget and all anticipated expenses, by category, for the Company (including, without limitation, all repairs and capital expenditures projected by the Tejon to be incurred during such period), (ii) the estimated Cash Flow reserves projected to be required for such period, and (iii) a projection setting forth the estimated annual revenues, expenses and net operating income (or loss) expected to be incurred for the ensuing Business Plan Period, which shall be updated to compare the actual results to the projected results set forth in the prior Operating Budget. The Operating Budget shall also include a detailed description of such other information, contracts, agreements and other matters reasonably necessary to inform the Members of all matters relevant to the operation, management, maintenance, leasing and sale of the Project (or any portion thereof) or as may be reasonably requested by any Member. Tejon shall have the right, power and authority without the consent of the other Member (A) to apply up to fifty percent (50%) of the contingency line item and any line item cost savings to other line items, and (B) to cause the Company to incur expenditures in excess of any line item, provided that any such expenditure does not exceed such line item by more than ten percent (10%), after the application of any contingency line item or cost savings. Tejon shall also have the right, power and authority to incur actual expenditures on behalf of the Company (with Company funds) for (1) any of the items set forth in any approved Operating Budget, as the same may be adjusted in accordance with the foregoing provisions of this Section 2.09, and (2) any items outside of an approved Operating Budget provided such item does not exceed Fifty Thousand Dollars ($50,000) alone and all such items do not exceed One Hundred Thousand Dollars ($100,000) in the aggregate, without the further consent of the other Member.

2.10 Construction Contract

If the Executive Committee approves the initial business plan for the Company pursuant to Section 2.04(a), then the Company shall hire an independent third-party general contractor (the "General Contractor") pursuant to a guaranteed maximum price construction contract to be entered into by and between the Company and the General Contractor on such terms and conditions that are approved by the Executive Committee (the "Construction Contract"). The Construction Contract shall be executed and delivered to the escrow for the Construction Loan (and shall be effective concurrently with the closing of the Construction Loan described in Section 3.04). Subject to any Force Majeure Delay, the Administrative Member hereby agrees to use it commercially reasonable efforts to cause the General Contractor to commence the construction of the Improvements promptly following the closing of the Construction Loan. All major subcontractors hired for the construction of the Improvements shall be subject to the approval of the Executive Committee, which approval shall not be unreasonably withheld, delayed or conditioned. The Administrative Member shall provide Tejon with a copy of each bid received from each major subcontractor (that would constitute a material agreement of the Company under Section 2.04(o) above) on the date the Administrative Member provides Tejon the final construction pricing.

2.11 Development and Construction Management Services

The Company shall retain each Member (or its designated Affiliate) to act as the development manager for the Project (collectively, the "Development Manager") pursuant to a separate development management agreement (the "Development Management Agreement") to be entered into by the Company and the Development Manager in a form to be reasonably agreed to by the Members prior to the Administrative Member submitting to the Executive Committee for its review and approval under Section 2.07 the annual business plan for the Company's first Business Plan Period Subject to the following sentence, the Administrative Member shall have primary responsibility under the Development Management Agreement for (i) interviewing and recommending the environmental consultants, architects, soil engineers, civil engineers and other consultants, specialists and experts (collectively, the "Consultants") to be hired by the Company at the Company's cost in connection with the development and construction of the Improvements, (ii) reviewing and evaluating proposed contracts between the Company and each Consultant, and (iii) negotiating such proposed contracts (it being understood that all contracts shall be required to be approved by the Executive Committee and executed by the Company). Notwithstanding the foregoing, the Members acknowledge that the Company has assumed the duties and obligations of Tejon Industrial Corp. and DP under the TRC Pre-Formation Contracts and the DP Pre-Formation Contracts, respectively, in accordance with the terms of Section 3.01(b). The Administrative Member shall also be responsible under the Development Management Agreement for coordinating and supervising the services to be provided by each such Consultant including, without limitation, each Tejon Consultant and DP Consultant. Without limiting the generality of the foregoing, the Administrative Member shall be responsible under the Development Management Agreement for working closely with the architects hired by the Company to prepare and process the plans and specifications for the Improvements. In addition to the above services, the Administrative Member shall also be responsible under the Development Management Agreement for supervising the development and construction of the Improvements.

Pursuant to the Development Management Agreement, Tejon shall assist in the general construction oversight activities and will coordinate with the General Contractor to address any construction related issues and matters. In addition, Tejon will take the lead role under the Development Management Agreement in meeting with Kern County and other municipalities and local authorities/agencies to obtain any necessary permits, entitlements, consents and other approvals necessary to construct the Improvements on the Property.

As consideration for the Members providing the development management services described in the Development Management Agreement, the Company shall pay to the Members a development management fee ("Development Management Fee") equal to four percent (4%) of the "hard costs" actually incurred by the Company in connection with the development and construction of the Improvements. The Development Management Fee shall be paid and earned on the first day of each calendar month in equal monthly installments over the estimated construction period set forth in the Development Plan based upon eighty percent (80%) of the estimated "hard costs" set forth in the Development Budget to be incurred by the Company, with twenty percent (20%) of the Development Management Fee to be initially retained by the Company. The retained portion of the Development Management Fee shall be paid on the completion of the Improvements based on a reconciliation of the actual total "hard

costs" incurred by the Company as compared to the budgeted "hard costs" so that the final total Development Management Fee equals four percent (4%) of the total "hard costs" actually incurred by the Company in connection with the construction of the Improvements. The Administrative Member shall be entitled to receive seventy percent (70%) of the Development Management Fee and Tejon shall be entitled to receive thirty percent (30%) of the Development Management Fee.

2.12 Master Developer Work

Tejon Industrial Corp., in its capacity as the master developer of Tejon Ranch Commerce Center, shall be obligated to perform in accordance with the Development Plan the work described on Exhibit "E" attached hereto (the "Master Developer Work"), at Tejon Industrial Corp.'s sole cost and expense, in connection with the contribution of the Property to the Company, to the extent reasonably necessary for the development of the Improvements. Prior to commencing the Master Developer Work, (i) the Executive Committee shall reasonably agree upon the location of all utility connections and the ingress and/or egress improvements to be constructed as part of the Master Developer Work, and (ii) Tejon shall provide the Administrative Member with a copy of the plans and specifications for the ingress and/or egress improvements (if any) to be constructed as part of the Master Developer Work. Subject to any delays permitted by Section 13.23, Tejon shall cause Tejon Industrial Corp. to perform the Master Developer Work (A) in a coordinated manner consistent with the schedule in the Development Plan such that the Project can be completed in accordance with the Development Plan by the Project's scheduled completion date, and (B) in compliance with all required permits from the local government authority. Tejon shall provide the Administrative Member with monthly updates of the Master Developer Work, which has been performed or is contemplated to be performed in the future. The Master Developer Work will be performed by Tejon Industrial Corp. at its sole cost and expense in accordance with this Section 2.12. Tejon hereby agrees to indemnify, defend, protect and hold harmless the Company from and against any and all claims, liabilities, losses, costs, expenses, damages and/or expenses including, without limitation, any attorneys' and expert witness fees and costs (collectively, "Losses") incurred by the Company as a result of Tejon Industrial Corp. failing to perform the Master Developer Work in accordance with the requirements of clause (A) and (B) above (to the extent not caused by any delays permitted by Section 13.23). The Losses subject to the foregoing indemnification obligation include, without limitation, all additional financing interest and costs, penalties, contractor delay costs and fees, and other costs actually incurred by the Company that would not have been incurred but for Tejon Industrial Corp. failing to timely perform the Master Developer Work in accordance with the requirements of clause (A) and (B) above (subject to any delays permitted by Section 13.23). Any such payment by Tejon under the preceding sentence shall not be considered a capital contribution by Tejon and shall not affect the Percentage Interests of the Members.

2.13 Marketing and Leasing Management

The Administrative Member shall be responsible for preparing a marketing plan for the Project and negotiating leases for the Project with the assistance of, and in coordination with, the other Member. The marketing plan shall be submitted by the Administrative Member to the Executive Committee (as part of the annual business plan for the Company's first Business Plan

Period) for its review and approval, which approval shall not be unreasonably withheld, delayed or conditioned. Each marketing plan that is approved by the Executive Committee is hereinafter referred to as the "Marketing Plan." The Marketing Plan shall describe in reasonable detail (i) the types of proposed users and buyers for the Project, (ii) the marketing, leasing and sales objectives and a timeline for accomplishing such objectives, and (iii) such other information regarding the marketing of the Project as is reasonably requested by the Executive Committee. The Administrative Member shall be primarily responsible for implementing each Marketing Plan on behalf of the Company and Tejon shall reasonably assist the Administrative Member in its efforts to implement each such Marketing Plan. The Company shall pay all third-party out-of-pocket costs and expenses incurred in connection with the implementation of each such Marketing Plan. The Marketing Plan shall be updated by the Administrative Member on an annual basis and submitted to the Executive Committee for its review and approval, which approval shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, if the Project is fully leased, then the Administrative Member shall not be required to update the Marketing Plan prior to the date that is one (1) year prior to the expiration of the earliest of such leases to expire (unless otherwise requested to do so by the other Member).

In consideration of the services provided by the Members with respect to the marketing and leasing of the Project, the Company shall pay to the Members a leasing override fee ("Leasing Override Fee") equal to one percent (1%) of the total revenue to be received by the Company under each lease over the term of such lease. The Leasing Override Fee shall be paid and earned on the same date as the payment of brokerage commissions is owed by the Company to the broker or brokers involved in each such lease. Each Member shall be entitled to receive fifty percent (50%) of the Leasing Override Fee.

2.14 Property Management

The Company shall retain Tejon Industrial Corp. (or its designated Affiliate) to act as the property manager for the Project (the "Property Manager") pursuant to a separate property management agreement (the "Property Management Agreement") to be entered into by the Company and the Property Manager in a form to be reasonably agreed to by the Members prior to the Administrative Member submitting to the Executive Committee for its review and approval under Section 2.07 the annual business plan for the Company's first Business Plan Period. In its capacity as a property manager for the Project, the Property Manager shall be responsible for managing the accounting and the contract and lease administration for the Project including, without limitation, enforcing the Company's rights and benefits, and causing the Company to perform its duties and obligations, under each lease entered into with respect to the Project. The Property Manager shall also be responsible for the repair and maintenance of the Project and customer service. As compensation for rendering the services described in the Property Management Agreement, (i) the Company shall reimburse the Property Manager for the reasonable third-party out-of-pocket costs incurred by the Property Manager in rendering such services, and (ii) the Company shall pay to the Property Manager a fee (the "Property Management Fee") equal to two percent (2%) of the gross receipts received by the Company from the operation of the Project. The Property Management Fee shall be earned as the management services are rendered and paid on the first day of each calendar month based upon the gross receipts received by the Company in the preceding calendar month. If any of the

terms of the Property Management Agreement are inconsistent with the terms of this Section 2.14, then the terms of the Property Management Agreement shall control.

2.15 Retention of Third-Party Brokers

The Company shall engage third-party brokers to lease space in the Project that are approved by the Executive Committee. The Company shall pay all broker, marketing and legal costs payable to any third-party broker retained by the Company. The Members hereby pre-approve the Company hiring JLL as a broker for the Project, which will be led by Mike McCrary and Peter McWilliams.

2.16 Authority with Respect to the Affiliate Agreements

Notwithstanding any other provision of this Agreement including, without limitation, Sections 2.01, 2.02, 2.03 and 2.04, Tejon or DP, as the case may be, shall have the sole right, power and authority, in its sole and absolute discretion and without the consent or approval of the other Member (the "Affiliated Member"), (i) to cause the Company to enforce its rights under any contract or other agreement entered into by the Company with the Affiliated Member and/or any Affiliate thereof (collectively, the "Affiliate Agreements") following any breach by the Affiliated Member and/or any Affiliate thereof under any such Affiliate Agreement after the required notice of default and lapse of any applicable cure periods provided for in such Affiliate Agreements, (ii) to make all decisions on behalf of the Company with respect to any amendment, modification, rescission, extension, and/or termination under any Affiliate Agreement, (iii) to determine the existence of any default under any Affiliate Agreement and to cause the Company to declare any such default following any breach by the Affiliated Member and/or any Affiliate thereof under such Affiliate Agreement, subject to any applicable notice and cure periods provided for in such Affiliate Agreement, (iv) to cause the Company to institute, settle and/or compromise any claim under any Affiliate Agreement against the Affiliated Member and/or any Affiliate thereof, (v) to cause the Company to waive any rights of the Company against the Affiliated Member and/or any Affiliate thereof under any Affiliate Agreement, and (vi) to cause the Company to consent to the assignment of any rights and/or the delegation of any duties by the Affiliated Member and/or any Affiliate thereof under any Affiliate Agreement. DP or Tejon, as the case may be, shall cooperate in good faith with the other Member in the exercise by the other Member of the foregoing rights and actions under the Affiliate Agreements.

2.17 Election, Resignation, Removal of the Administrative Member

(a) Number, Term and Qualifications. The Company shall have one (1) Administrative Member. Unless it resigns (pursuant to the terms of this Agreement), is removed or ceases to be a member of the Company, the Administrative Member shall hold office until a successor shall have been elected and qualified. Unless the Administrative Member resigns or is removed pursuant to Section 2.17(c), a new Administrative Member may not be appointed without the approval of the Executive Committee.

(b) Resignation. The Administrative Member may only resign with the prior written approval of the Executive Committee, which may be withheld in its sole and

absolute discretion. Except as set forth below in Section 2.17(d), any resignation of the Administrative Member in accordance with the terms of this Section 2.17(b) shall not affect the Administrative Member's rights as a member of the Company, and shall not constitute a withdrawal of the Administrative Member as a member of the Company.

(c) Removal. The Administrative Member (or any successor administrative member) may be removed following the occurrence of a Just Cause Event, by written notice ("Removal Notice") from the other Member to the Administrative Member within forty-five (45) days following the date such Member first becomes aware of such Just Cause Event. The Removal Notice shall specify in reasonable detail the Just Cause Event giving rise to the removal. For purposes of this Section 2.17(c), "Just Cause Event" shall mean:

(i) Failure to Maintain Control of Dedeaux Member. None of Brett Dedeaux, Justin Dedeaux and/or Terry Dedeaux, individually or collectively, at any time, directly or indirectly, maintain control of DP. As used in this Agreement, the terms "control," "controls" and "controlling" mean the possession by any Person, directly or indirectly, of the power to direct or cause the direction of the management and policies of another Person (including in such Person's capacity as a trustee of a trust), whether through the ownership of voting securities, by contract or otherwise;

(ii) Breach of Agreement. The breach of any material covenant, duty or obligation under this Agreement by the Administrative Member if (i) the Administrative Member has received written notice from the other Member of the breach describing such breach in reasonable detail, and (ii) (A) the breach is not reasonably susceptible of being cured, or (B) subject to the following sentence, if the breach is reasonably susceptible of being cured (1) the Administrative Member has failed to commence the cure or remedy of the breach within fifteen (15) days following the effective date of the notice, or (2) failed to complete the cure or remedy within a reasonable period of time (not to exceed 30 days following the effective date of such notice, unless the cure or remedy cannot be reasonably completed within such 30-day period and the Administrative Member fails to diligently proceed with the cure or remedy to completion within an additional 15 days following the expiration of such initial 30-day period). Notwithstanding the foregoing, the Administrative Member shall not have the right to cure any breach or other event that would otherwise constitute a Just Cause Event if the Administrative Member (or any other party) has already cured two (2) or more prior breaches or events that would have constituted Just Cause Events (but for the exercise of such cure rights);

(iii) Fraud, Willful Misconduct, Gross Negligence, Etc. The Administrative Member's fraud, willful misconduct or gross negligence or the conviction of the Administrative Member or any Affiliate thereof of a crime involving moral turpitude (other than driving a motor vehicle while intoxicated) if such crime impacts the reputation of the Company or the other Member or otherwise impacts the performance of the Project (or the performance of the

Administrative Member's duties hereunder) (other than any misappropriation of funds described in clause (iv) below); or

(iv) Misappropriation of Funds. Any misappropriation of funds by the Administrative Member provided that if such misappropriation of funds is committed by an employee of the Administrative Member, then such event shall not constitute a Just Cause Event if, within ten (10) Business Days after being notified in writing of such event, the Administrative Member makes full restitution to the Company of all damages caused by such event and terminates the employment of such employee.

(d) Rights Following Resignation or Removal. Upon the resignation of an Administrative Member or the removal of a member as the Administrative Member in accordance with Section 2.17(c), (i) the resigned or removed Member shall be relieved of its duties as Administrative Member under this Agreement including, without limitation, the duty to provide the development management and marketing services described in Sections 2.11 and 2.13, (ii) the other Member shall have the right, power and authority to designate the replacement Administrative Member (which may be the other Member, any Affiliate of the other Member and/or any other Person) to replace the Member that has resigned or been removed as the Administrative Member (or any replacement Administrative Member) and such replacement Administrative Member shall have all of the rights, duties and obligations of the Administrative Member under this Agreement (including, without limitation, the right to receive any fees or other amounts payable to the Administrative Member under this Agreement following such resignation or removal for services that are thereafter provided by the replacement Administrative Member), and (iii) the other Member may terminate any or all of the Affiliate Agreements entered into with the Administrative Member or any Affiliate thereof and/or hire at the expense of the Company a new development manager and/or marketing director including, without limitation, the other Member or any Affiliate of such other Member which is qualified to render the services previously provided by the resigned or removed Member.

(e) No Adjustment to Percentage Interests. Except as provided in Section 2.17(d), if a Member resigns or is removed as the Administrative Member, then the Percentage Interests of the Members shall not be adjusted and the removed Administrative Member shall retain all of its rights, duties and obligations of a member under this Agreement (other than any rights, duties and/or obligations as the Administrative Member).

2.18 Officers

(a) Appointment of Officers. The Executive Committee may appoint, and delegate authority to, officers ("Officers") of the Company at any time. The Officers of the Company may include, without limitation, a Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Senior Vice President, Vice President, Assistant Vice President, Secretary and Assistant Secretary. Any individual may hold any number of offices. Unless the Executive Committee otherwise determines in its sole and absolute discretion, (i) if the title assigned to any Officer is one commonly used

for officers of a business corporation formed under the Delaware General Corporation Law, then the assignment of such title shall constitute the delegation to such person of the rights, powers, duties, obligations and authority that are normally associated with that office, and (ii) no Officer shall receive any salary or other compensation for acting as an Officer of the Company. Any delegation pursuant to this Section 2.18(a) may be revoked at any time by the Executive Committee. The Officers shall serve at the pleasure of the Executive Committee.

(b) Removal of Officers. Any Officer may be terminated, either with or without cause, by the Executive Committee at any time. Any Officer may resign at any time by giving written notice to the Executive Committee. Any resignation shall take effect as of the effective date of any such notice or at any later time specified in such notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. A vacancy in any office because of death, incapacity, resignation, removal, disqualification or any other cause shall be filled, if at all, in the manner prescribed in this Agreement for regular appointments to that office.

2.19 Treatment of Payments

For financial and income tax reporting purposes, any and all fees paid by the Company to any Member and/or any Affiliate thereof shall be treated as expenses of the Company and, if paid to any Member, as guaranteed payments within the meaning of Section 707I of the Code. To the extent all or any portion of any fee is not paid in full prior to the Liquidation of the Company, such unpaid portion of such fee shall constitute a debt of the Company payable upon such Liquidation. The Members acknowledge and agree that any fee paid to any Member (and/or any Affiliate thereof) in accordance with the terms of this Agreement shall constitute the sole and exclusive property of such recipient Member (and/or such Affiliate), and the other Member shall not have any rights thereto or interests therein.

2.20 Reimbursement and Fees

Except as expressly provided in this Agreement, the Pre-Development Budget or otherwise agreed to in writing by the Executive Committee, including, without limitation, pursuant to the terms of any Approved Business Plan, none of the Members (or their respective Affiliates and/or other representatives) shall be paid any compensation for rendering services to the Company or otherwise be reimbursed for any costs and expenses incurred by such Member (and/or any Affiliate or representative thereof) on behalf of the Company. Without limiting the generality of the foregoing, neither Member nor any Affiliate thereof shall be reimbursed for any general and administrative costs and expenses incurred by such party. Any request for reimbursement by any Member pursuant to this Section 2.20 shall be accompanied by supporting documentation and shall be made within thirty (30) days after the date such expenses are incurred by such Member. Any such reimbursement shall not reduce such Member's Capital Account or Unreturned Contribution Account.

2.21 Insurance

The Administrative Member shall cause the Company to purchase and maintain (at the expense of the Company) a commercial general liability insurance policy, a builder's risk insurance policy and a property insurance policy in such amounts as are reasonably determined by the Executive Committee and such other insurance as may be requested from time to time by the Executive Committee. The cost of any insurance policies maintained by the Company pursuant to this Section 2.21 shall be an expense of the Company and shall be included in the Development Budget or the Operating Budget.

ARTICLE III
MEMBERS' CONTRIBUTIONS TO COMPANY

3.01 Initial Contributions of the Members through Construction Loan Funding

The initial capital contributions of the Members shall be made as follows:

(a) Initial Cash Contributions. Concurrently with the execution and delivery of this Agreement, (i) each Member shall make an initial cash contribution to the capital of the Company in the amount set forth opposite such Member's name under the column labelled "Initial Cash Contribution" on Exhibit "A" attached hereto to enable the Company to fund the anticipated costs and expenses that will be incurred by the Company prior to the funding of the Construction Loan described in Section 3.04, (ii) Tejon shall be deemed to have contributed to the capital of the Company the actual third-party pre-development costs and expenses incurred by Tejon Industrial Corp. prior to the Effective Date described in the Pre-Development Budget (exclusive of any costs or expenses incurred in connection with the abandonment of the Re-Abandoned Well described in Section 3.01(c) below), (iii) DP shall be deemed to have contributed to the capital of the Company the actual third-party pre-development costs and expenses incurred by DP prior to the Effective Date described in the Pre-Development Budget, and (iv) DP shall make an initial cash contribution to the capital of the Company equal to fifty percent (50%) of the excess of (A) the actual third-party pre-development costs and expenses deemed contributed by Tejon to the Company described in clause (ii) above, minus (B) the actual third-party pre-development costs and expenses deemed contributed by DP to the Company described in clause (iii) above. Each Member's Capital Account and Unreturned Contribution Account shall be credited by the amount contributed or deemed contributed by such Member pursuant to this Section 3.01(a) on the date this Agreement is executed and delivered. The Company shall promptly distribute to Tejon the capital contribution made by DP pursuant to clause (iv) above, which distribution shall be debited to Tejon's Capital Account and Unreturned Contribution Account on the date such distribution is received by Tejon. Following such distribution, the balances standing in each Members' Capital Accounts and Unreturned Contribution Accounts will be equal to the balances standing in the other Member's Capital Account and Unreturned Contribution Account.

(b) Initial Non-Cash Contribution. Prior to the Effective Date, (i) Tejon Industrial Corp. entered into the contracts listed on Exhibit "G" attached hereto

(collectively, the "TRC Pre-Formation Contracts") with the consultants that are a party to each TRC Pre-Formation Contract (collectively, the "Tejon Consultants"), and (ii) DP entered into the contracts listed on Exhibit "H" attached hereto (collectively, the "DP Pre-Formation Contracts") with the consultants that are a party to each DP Pre-Formation Contract (collectively, the "DP Consultants"). Concurrently with the execution and delivery of this Agreement, each Member has assigned and transferred (and/or caused its Affiliate to assign and transfer) to the Company (to the extent assignable), and the Company hereby assumes, all of the rights, duties and obligations of each such party under the TRC Pre-Formation Contracts and the DP Pre-Formation Contracts, as applicable, including, without limitation, all work product created under or pursuant to the TRC Pre-Formation Contracts and the DP Pre-Formation Contracts. Neither Member's Capital Account nor Unreturned Contribution Account shall be credited in connection with the assignments made to the Company pursuant to this Section 3.01(b) (since the costs incurred by Tejon Industrial Corp. under the TRC Pre-Formation Contracts have been credited to Tejon's Capital Account and Unreturned Contribution Account under Section 3.01(a)(ii) above and the costs incurred by DP under the DP Pre-Formation Contracts have been credited to DP's Capital Account and Unreturned Contribution Account under Section 3.01(a)(iii) above).

(c) Tejon Property and Related Contributions. In accordance with the terms of the Contribution Agreement, Tejon Industrial Corp. shall assign, transfer and contribute to the capital of the Company, Tejon Industrial Corp.'s entire fee interest in and to the Property, subject only to the Permitted Exceptions (as defined in the Contribution Agreement). Tejon Industrial Corp. shall transfer the Property to the Company concurrently with the closing of the Construction Loan at an agreed upon value (net of all such approved liens, encumbrances and permitted exceptions) of Nine Dollars ($9.00) per square foot of the agreed upon net usable land area contained in the Property, reduced by the lien for property taxes not yet payable and adjusted for any other prorations in the manner described below and any other items set forth in the Contribution Agreement (the "Agreed Value"). The Agreed Value shall be reduced by the amount of any net prorations and credits charged to Tejon Industrial Corp. under the Contribution Agreement and increased by the amount of any net prorations and credits charged to the Company under the Contribution Agreement. The Agreed Value of the Property prior to any adjustment for real property taxes not yet payable, prorations and credits will equal approximately Nine Million Six Hundred Thirty-Two Thousand Four Hundred Twenty-Two and 80/100th Dollars ($9,632,422.80) (i.e., (24.57 acres of net usable land x 43,560 square feet per acre) x $9.00 = $9,632,422.80). Tejon's Capital Account and Unreturned Contribution Account shall each be credited by an amount equal to the Agreed Value on the date the Property is contributed to the Company.

Prior to the contribution of the Property to the Company, Tejon Industrial Corp. shall complete the re-abandonment of the oil well that is located on the Property (the "Re-Abandoned Well") in accordance with the requirements of the California Geologic Energy Management Division. On the date the Property is transferred by Tejon Industrial Corp. to the Company, the Company shall reimburse Tejon Industrial Corp. for Two Hundred Twenty Thousand Dollars ($220,000) of the actual out-of-pocket costs incurred by Tejon Industrial Corp. in completing the re-abandonment of the Re-

Abandoned Well. Tejon Industrial Corp. will not be reimbursed by the Company or otherwise have the right to recover any other costs incurred by Tejon Industrial Corp. in completing the re-abandonment of the Re-Abandoned Well. Following its acquisition of the Property, the Company shall install, at its expense, a venting system and passive monitoring equipment for the Re-Abandoned Well. The estimated cost to install the venting system and passive monitoring system shall be set forth in the Development Budget. The Company will covenant and agree in the Contribution Agreement not to disturb, or to allow any other party to disturb, the Re-Abandoned Well. Tejon Industrial Corp. will retain the Re-Abandoned Well in its operatorship following the Company's acquisition of the Property and Tejon Industrial Corp. shall be fully and solely responsible for all aspects of the Re-Abandoned Well, including compliance with all applicable laws, regulations and guidelines governing the Re-Abandoned Well. If the terms of the Contribution Agreement are inconsistent with the terms of this Section 3.01(c), then the terms of the Contribution Agreement shall control.

(d) DP Balancing Contribution. Concurrently with the closing of the Construction Loan (and through the escrow established for the Construction Loan), DP shall contribute to the capital of the Company, in cash, an amount equal to fifty percent (50%) of the Agreed Value. DP's Capital Account and Unreturned Contribution Account shall be credited by the amount of such contribution on the date such contribution is made. Concurrently with the closing of the Construction Loan, the Company shall distribute the capital contribution made by DP pursuant to this Section 3.01(d) to Tejon, which distribution shall be debited to Tejon's Capital Account and Unreturned Contribution Account on the date such distribution is made. After such distribution is made, the balance standing in Tejon's Capital Account and Unreturned Contribution Account will equal the balance standing in DP's Capital Account and Unreturned Contribution Account, respectively.

3.02 Additional Capital Contributions

If the Company has insufficient funds to meet its current or projected financial requirements including, without limitation, insufficient funds to satisfy any construction cost overruns incurred by the Company (a "Shortfall"), then the Administrative Member shall give written notice (the "Capital Call Notice") of such Shortfall to the other Member. If the Company has a Shortfall and the Administrative Member fails to deliver a Capital Call Notice for such Shortfall, then the other Member may deliver the Capital Call Notice pursuant to this Section 3.02. The Capital Call Notice shall summarize, with reasonable particularity, the Company's actual and projected cash obligations, cash on hand, projected sources and amounts of future Cash Flow and a contribution date ("Additional Contribution Date") (which shall not be less than ten (10) Business Days following the effective date of such notice). Subject to the following sentence, each Member shall be obligated to contribute to the capital of the Company, in cash, such Member's Percentage Interest of the funds necessary to satisfy such Shortfall. Notwithstanding the foregoing, the Members shall not be obligated to make any additional capital contribution pursuant to this Section 3.02 to enable the Company to pay any cost or expense that is not approved in the Approved Business Plan (taking into account any variances allowed under this Agreement), unless (i) the additional capital contribution is required to enable the Company to pay a construction cost overrun incurred by the Company that is not an Excess

Cost Overrun, or (ii) the Executive Committee has approved such capital contribution in its sole and absolute discretion pursuant to Section 2.04(j) above. The term "Excess Cost Overrun" means any construction cost overruns incurred by the Company in connection with the development and construction of its Improvements to the extent such cost overruns exceed Five Million Dollars ($5,000,000) in the aggregate. Any and all amounts contributed to the capital of the Company by any Member pursuant to this Section 3.02 shall be credited to such Member's Capital Account and Unreturned Contribution Account on the date any such contribution is made.

3.03 Remedy for Failure to Contribute Capital

If any Member (the "Non-Contributing Member") fails to contribute timely all or any portion of the additional capital such Member is required to contribute pursuant to Section 3.02 (the "Delinquent Contribution"), and provided that the other Member (the "Contributing Member") has timely contributed to the capital of the Company all of the additional capital required to be contributed by such Contributing Member pursuant to Section 3.02 (with respect to that particular notice and capital call), then such Contributing Member shall have the right to select one (1) or more of the following options in accordance with the terms set forth below in this Section 3.03:

(a) Loan Remedy. The Contributing Member may advance to the Company, in cash, within thirty (30) days following the Additional Contribution Date, an amount equal to the Delinquent Contribution, and such advance shall be treated as a nonrecourse loan ("Default Loan") by the Contributing Member to the Non-Contributing Member, bearing interest at a rate equal to the lesser of (i) the prevailing prime commercial lending rate of Wells Fargo Bank plus five (5) percentage points, adjusted concurrently with any adjustments to such rate and compounded annually, or (ii) the maximum, non-usurious rate then permitted by law for such loans. Subject to Sections 7.09 and 8.08, each Default Loan shall be due and payable in full one hundred twenty (120) days from the date advanced (or, if earlier, upon the dissolution of the Company).

As of the effective date of the advance of any Default Loan, the Capital Account and the Unreturned Contribution Account of the Non-Contributing Member shall be credited with an amount equal to the original principal balance of the Default Loan made by the Contributing Member to the Non-Contributing Member. Notwithstanding the provisions of Articles V and XII, until any and all Default Loans made to the Non-Contributing Member are repaid in full, the Non-Contributing Member shall receive no further distributions from the Company, and all cash or property otherwise distributable with respect to the Non-Contributing Member's Interest shall be distributed to the Contributing Member as a reduction of the outstanding balance of (together with all accrued, unpaid interest thereon) any and all such Default Loans, with such funds being applied first to reduce any and all interest accrued on such Default Loan(s) and then to reduce the principal amount thereof. Any amounts so applied shall be treated, for all purposes under this Agreement, as having actually been distributed to the Non-Contributing Member pursuant to Section 5.01 and applied by the Non-Contributing Member to repay such outstanding Default Loan(s).

To secure the repayment of any and all Default Loans made to the Non-Contributing Member, such Non-Contributing Member hereby grants a security interest in favor of the Contributing Member in and to the Non-Contributing Member's entire Interest in the Company, and hereby irrevocably appoints the Contributing Member, and each of the Contributing Member's representatives, agents, officers or employees, as the Non-Contributing Member's attorney(s)-in-fact, with full power to prepare, execute, acknowledge, and deliver, as applicable, all documents, instruments, and/or agreements memorializing and/or securing such Default Loan(s), including, without limitation, such Uniform Commercial Code financing and continuation statements, mortgages, pledge agreements and other security instruments as may be reasonably appropriate to perfect and continue the security interest in favor of such Contributing Member.

The Contributing Member is also authorized to cause the Company to issue certificates (collectively, the "Certificates") evidencing the Members' respective Interests in the Company (in such form as is determined in the sole and absolute discretion of the Contributing Member) and is further authorized to take possession and control of any such Certificate of the Non-Contributing Member if it has made a Default Loan to the Non-Contributing Member. Following the issuance of the Certificates, each Interest in the Company shall constitute a "certificated security" within the meaning of, and be governed by, (A) Section 8-102(a)(15) of the Uniform Commercial Code as in effect from time to time in the State of Delaware, and (B) the Uniform Commercial Code of any other applicable jurisdiction that now or hereafter substantially includes the 1994 revisions to Article 8 thereof as adopted by the American Law Institute and the National Conference of Commissioners on Uniform State Laws and approved by the American Bar Association on February 14, 1995. Notwithstanding any provision of this Agreement to the contrary, to the extent any provision of this Agreement is inconsistent with any non-waivable provision of Article 8 of the Uniform Commercial Code, as in effect in the State of Delaware (6 Del C. § 8-101, et seq.), such provision of Article 8 of the Uniform Commercial Code shall control.

If, upon the maturity of a Default Loan (taking into account any agreed upon extensions thereof), any principal thereof and/or accrued interest thereon remains outstanding, then the Contributing Member may elect any one (1) of the following options: (1) to renew such Default Loan (or portion thereof) pursuant to the terms and provisions of this Section 3.03(a) for such additional term as is determined in the sole and absolute discretion of the Contributing Member; (2) to institute legal (or other) proceedings against the Non-Contributing Member to collect such loan which may include, without limitation, foreclosing against the security interest granted above; (3) to contribute all or any portion of such outstanding principal of, and accrued interest on, such Default Loan (or portion thereof) to the capital of the Company and dilute the Percentage Interest of the Non-Contributing Member pursuant to the provisions of Section 3.03(b); or (4) to implement the default provisions set forth in Article VII in accordance with the provisions of Section 3.03(c).

The Contributing Member may elect any of the options set forth in the immediately preceding sentence by giving written notice of such election to the Non-Contributing Member within thirty (30) days following such maturity date. Failure of

the Contributing Member to timely give such written notice to the Non-Contributing Member shall be deemed to constitute an election to renew such Default Loan for an additional term of one hundred twenty (120) days on the terms set forth herein. If the Contributing Member elects to foreclose upon the security interest in the Non-Contributing Member's Interest in the Company granted above, then the Contributing Member is authorized to cancel the Certificate evidencing the Non-Contributing Member's Interest in the Company and issue a new Certificate to the Contributing Member that has foreclosed upon such Interest.

(b) Dilution Remedy. The Contributing Member may contribute to the capital of the Company, in cash, within thirty (30) days following the Additional Contribution Date an amount equal to the Delinquent Contribution, and such Contributing Member's Capital Account and Unreturned Contribution Account shall each be credited with the amount contributed by such Contributing Member (in addition to the Adjustment Amount described below). Further, upon the maturity of a Default Loan that is not fully repaid on or before the maturity date thereof, the Contributing Member may contribute to the capital of the Company, in accordance with the provisions of Section 3.03(a) above, all or any portion of the outstanding principal of and/or accrued interest on such Default Loan previously advanced by such Contributing Member that is not repaid prior to the maturity date thereof, and (i) the amount of such outstanding principal and/or interest so contributed shall be deemed repaid and satisfied; (ii) in addition to the Adjustment Amount described below, the Capital Account and the Unreturned Contribution Account of the Non-Contributing Member shall be decreased, but not below zero (0), by the amount of such outstanding principal and/or interest so contributed; and (iii) in addition to the Adjustment Amount described below, the Capital Account and the Unreturned Contribution Account of the Contributing Member shall be increased by the amount of such outstanding principal and/or interest so contributed.

Upon the contribution of the Delinquent Contribution and/or the outstanding balance of a Default Loan by the Contributing Member pursuant to the foregoing provisions of this Section 3.03(b), (A) the balance standing in each Member's Unreturned Contribution Account and Capital Account shall be decreased in the case of the Non-Contributing Member and increased in the case of the Contributing Member by an amount equal to the Adjustment Amount, and (B) each Member's Percentage Interest shall be decreased in the case of the Non-Contributing Member and increased in the case of the Contributing Member by the Dilution Percentage. The "Adjustment Amount" shall equal fifty percent (50%) of each Delinquent Contribution contributed by the Contributing Member on behalf of the Non-Contributing Member pursuant to this Section 3.03(b). The "Dilution Percentage" shall equal the amount expressed in percentage points calculated based upon the following formula:

$$\text{Dilution Percentage} = 150 \times \left(\frac{\text{Delinquent Contribution}}{\text{Total amount of the Members' capital contributions to the Company (including any Delinquent Contribution contributed by the Contributing Member), not reduced by any distributions under Section 5.01}} \right)$$

The application of the provisions of this Section 3.03(b) are illustrated by the following example: Assume that (1) the aggregate balance standing in each Member's Unreturned Contribution Account and Capital Account is equal to Five Million Dollars ($5,000,000) (i.e., $10,000,000 in the aggregate), (2) a contribution of Four Hundred Thousand Dollars ($400,000) is required to be contributed by the Members to the capital of the Company pursuant to Section 3.02, (3) the Non-Contributing Member has a Percentage Interest of fifty percent (50%) and fails to contribute its share of such contribution equal to Two Hundred Thousand Dollars ($200,000) (i.e., 50% × $400,000), and (4) the Contributing Member has a Percentage Interest of fifty percent (50%) and contributes its entire share of such contribution equal to Two Hundred Thousand Dollars ($200,000) (i.e., 50% x $400,000) and the Delinquent Contribution of Two Hundred Thousand Dollars ($200,000) to the capital of the Company on behalf of the Non-Contributing Member pursuant to this Section 3.03(b). The contribution by the Contributing Member of its entire share of the additional capital contribution of Two Hundred Thousand Dollars ($200,000) and the Delinquent Contribution of Two Hundred Thousand Dollars ($200,000) increases the balance standing in the Contributing Member's Unreturned Contribution Account and Capital Account (before taking into account the Adjustment Amount) from Five Million Dollars ($5,000,000) to Five Million Four Hundred Thousand Dollars ($5,400,000), respectively. The balance standing in the Non-Contributing Member's Unreturned Contribution Account and Capital Account remains at Five Million Dollars ($5,000,000) (before taking into account the Adjustment Amount) since it did not fund any of the additional capital contribution. By operation of this Section 3.03(b), the Adjustment Amount would equal One Hundred Thousand Dollars ($100,000) (i.e., $200,000 Delinquent Contribution x 50% = $100,000), and the Dilution Percentage would be equal to two and 88/100ths (2.88) percentage points, as calculated in accordance with the following formula:

$$2.88 = 150 \times \frac{\$200{,}000 \text{ Delinquent Contribution}}{\$10{,}400{,}000 \text{ Total Member Contributions}}$$

Accordingly, (x) the balance standing in each Member's Unreturned Contribution Account and Capital Account would be (AA) decreased in the case of the Non-Contributing Member from Five Million Dollars ($5,000,000) to Four Million Nine Hundred Thousand Dollars ($4,900,000) (i.e., $5,000,000 - $100,000 Adjustment Amount

= $4,900,000), and (BB) increased in the case of the Contributing Member from Five Million Dollars ($5,000,000) to Five Million Five Hundred Thousand Dollars ($5,500,000) (i.e., $5,000,000 + $400,000 capital contribution + $100,000 Adjustment Amount = $5,500,000), (y) the Percentage Interest of each Member would be (AA) decreased in the case of the Non-Contributing Member by two and 88/100ths (2.88) percentage points from fifty percent (50%) to forty-seven and 12/100ths percent (47.12%) (i.e., 50% - 2.88% = 47.12%), and (BB) increased in the case of the Contributing Member by two and 88/100ths (2.88) percentage points from fifty percent (50%) to fifty-two and 88/100ths percent (52.88%) (i.e., 50% + 2.88%= 52.88%). After the foregoing adjustments, the ratio of the balance standing in each Member's Unreturned Contribution Account and Capital Account to the balances standing in both Members' Unreturned Contribution Accounts and Capital Accounts would equal fifty-fifty-two and 88/100ths percent (52.88%) in the case of the Contributing Member (i.e., $5,500,000/$10,400,000 = 52.88%) and forty-seven and 12/100ths percent (47.12%) in the case of the Non-Contributing Member (i.e., $4,900,000/$10,400,000 = 47.12%), respectively (which will the same as each Member's Percentage Interest in the Company following the dilution under this example).

(c) Implementation of Default Provisions. The Contributing Member may elect to implement the default provisions contained in Article VII by delivery of written notice of such election to the Non-Contributing Member within ninety (90) days following the Additional Contribution Date or the maturity date for any Default Loan that is not repaid prior to the maturity thereof.

(d) Election of Remedy. The Contributing Member shall determine which of the options set forth in Sections 3.03(a), 3.03(b) and/or 3.03(c) are to be exercised by the Contributing Member with respect to each Delinquent Contribution. If the Contributing Member advances any amount to the Company pursuant to this Section 3.03 but fails to specify which of the foregoing options the Contributing Member has elected within thirty (30) days after the effective date that the Contributing Member makes such advance, then such Contributing Member shall be deemed to have elected the option set forth in Section 3.03(a) above with respect to such advance.

(e) Minimum Percentage Interest. Any and all adjustments to the Members' respective Percentage Interests pursuant to Section 3.03(b) shall be rounded to the nearest 1/100th of one percentage point (0.01%). In addition, notwithstanding any provision contained in this Article III, the Non-Contributing Member's Percentage Interest shall in no event be reduced below 1/100th of one percent (0.01%) by operation of Section 3.03(b).

3.04 Financing

The Administrative Member shall have primary responsibility to cause the Company to procure a construction loan (the "Construction Loan") to finance the development and construction of the Improvements from one (1) or more independent third-party institutional lenders selected by the Administrative Member (individually, the "Lender" and collectively, the "Lenders") upon prevailing market terms and conditions. The Administrative Member shall also have primary responsibility to cause the Company to procure a permanent loan (the

"Permanent Loan") from one (1) or more Lenders to refinance the Construction Loan and any prior Permanent Loan upon prevailing market terms and conditions (and any other financing thereafter required to refinance the Permanent Loan), which shall be nonrecourse to the Members (subject to any Nonrecourse Documents described in Section 3.05 required to be provided to the Lender providing any such Permanent Loan). Tejon shall reasonably assist the Administrative Member in the procurement of the Construction Loan and each Permanent Loan. The Construction Loan and each Permanent Loan shall be secured by a deed of trust encumbering the Project. Any such financing and/or refinancing obtained by the Administrative Member on behalf of the Company (collectively, the "Loans") shall require the consent of the Executive Committee pursuant to Section 2.04(e). Any Loans obtained by the Company shall not include any debt coverage limitations on any future financing or refinancing that may be obtained by the Company. If the Company and the Lender do not execute and deliver the documents evidencing and/or memorializing the Construction Loan (collectively, the "Construction Loan Documents") on or prior to the Construction Loan Deadline, then either Member may elect to dissolve the Company by delivering written notice of such election to the other Member pursuant to Section 12.01(c) (provided such election is made prior to the date (if any) that the Lender executes and delivers the Construction Loan Documents). The term "Construction Loan Deadline" means the date that is one hundred twenty (120) days following the approval of the annual business plan for the Company's first Business Plan Period pursuant to Section 2.07; provided, however, such date shall be automatically extended for up to sixty (60) additional days if the Construction Loan Documents have not been executed and delivered for any reason outside the reasonable control of DP within such one hundred twenty (120) day period provided (i) the Company has obtained a commitment from the Construction Loan Lender to make the Construction Loan to the Company prior to the expiration of such one hundred twenty (120) day period, (ii) DP has kept Tejon reasonably informed with respect to its negotiations with the Construction Loan Lender and any anticipated delays in the Lender executing and delivering the Construction Loan Documents, and (iii) DP has at all times during such one hundred twenty (120) day period and continuing through the additional sixty (60) period used its best efforts to cause the Lender to execute and deliver the Construction Loan Documents.

3.05 Agreement to Provide Guarantees and Indemnification

Each Member and/or one (1) or more of their respective Affiliates or representatives, including, without limitation, the ultimate parent of each Member if required by the applicable Lender (collectively, the "Guarantors" and individually, a "Guarantor") shall execute and deliver to any Lender providing a Construction Loan to the Company (i) any and all repayment or completion guaranties or similar documents required by such Lender (collectively, the "Recourse Documents"), and (ii) any and all other environmental indemnities and "bad-boy" carve-out guaranties required by such Lender (collectively, the "Nonrecourse Documents") provided such Recourse Documents and Nonrecourse Documents are approved by the Executive Committee in its reasonable discretion. In addition, the Guarantors shall execute any Nonrecourse Document required by any Lender providing a Permanent Loan to the Company provided such Nonrecourse Documents are approved by the Executive Committee in its reasonable discretion.

The Administrative Member shall use its commercially reasonable efforts to obtain each Lender's agreement that the obligation of each Guarantor under each Recourse Document and

Nonrecourse Document shall be several (i.e., not joint and several) as between the Members (and their respective Affiliates) and proportionate to the Percentage Interest of each Member that is an Affiliate of such Guarantor determined as of the date any liability is incurred under any such Recourse Document or Nonrecourse Document. The Members acknowledge and agree that each Recourse Document and Nonrecourse Document executed by any Guarantor shall be executed only as an accommodation to the Company and/or the Members. The Company shall indemnify, defend, protect and hold each such Guarantor wholly harmless from and against any and all Losses incurred by any such Guarantor as a result of such Recourse Document and Nonrecourse Document (or as a result of the rights of contribution described below) in accordance with the terms of Section 10.02(b). Either Member may deliver a Capital Call Notice in accordance with the provisions of Section 3.02 to require the Members to make additional contributions to the capital of the Company to enable the Company to satisfy the indemnity for any Losses described in this Section 3.05.

If the Company fails to fully satisfy any indemnification and/or defense obligation owing to any Member or any Guarantor affiliated with such Member pursuant to the provisions of this Section 3.05, then such Guarantor ("Contributing Party") shall have a right of contribution against the other Member and each Guarantor affiliated with such Member (collectively, the "Non-Contributing Party") to the extent the liability incurred by the Contributing Party under any Recourse Document or Nonrecourse Document (for which it is entitled to be indemnified by the Company pursuant Section 10.02(b)) exceeds such Contributing Party's Pro Rata Share of the total liability incurred by all of the Guarantors under all of the Recourse Documents and Nonrecourse Documents (for which the Guarantors are entitled to be indemnified by the Company pursuant to Section 10.02(b)). The term "Pro Rata Share" means (A) with respect to Tejon and its Guarantors, an amount equal to its then Percentage Interest of the total liability incurred by all of the Guarantors under all of the Recourse Documents and Nonrecourse Documents (for which the Guarantors are entitled to be indemnified by the Company pursuant to Section 10.02(b) below), and (B) with respect to DP and its Guarantors, an amount equal to its then Percentage Interest of the total liability incurred by all of the Guarantors under all of the Recourse Documents and Nonrecourse Documents (for which the Guarantors are entitled to be indemnified by the Company pursuant to Section 10.02(b) below).

At any time that any Contributing Party has a right of contribution against the Non-Contributing Party under this Section 3.05, the Non-Contributing Party shall be obligated to satisfy such contribution obligation by paying the required amount, in cash, within ten (10) days following written notice thereof from the Contributing Party. If any such payment is not timely and validly made within such ten (10)-day period, then from and after the date such amount was required to be paid, such amount shall bear interest at the lesser of (1) the prevailing prime commercial lending rate of Wells Fargo Bank plus five (5) percentage points, adjusted concurrently with any adjustments to such rate and compounded annually, or (2) the maximum non-usurious rate allowed by law. The Contributing Party shall also be entitled to collect from the Non-Contributing Party any and all costs and expenses of enforcing such contribution obligation including, without limitation, reasonable attorneys' and expert witness fees and costs.

The Members acknowledge and agree that each of the Guarantors (that are not Members) are express third-party beneficiaries of the foregoing provisions of this Section 3.05, and, as such, all of the Guarantors have the right, power and authority to enforce the provisions of this

Section 3.05. Each Member further agrees to cause any Guarantor affiliated with such Member to agree to be bound by the foregoing provisions of this Section 3.05 at the time such Guarantor executes and delivers any Recourse Document or Nonrecourse Document.

3.06 Capital Contributions in General

Except as otherwise expressly provided in this Agreement or as otherwise agreed to in writing by all of the Members (i) no part of the contributions of any Member to the capital of the Company may be withdrawn by such Member, (ii) no Member shall be entitled to receive interest or a return on such Member's contributions to the capital of the Company, (iii) no Member shall have the right to demand or receive property other than cash in return for such Member's contribution to the Company, and (iv) no Member shall be required or be entitled to contribute additional capital to the Company other than as permitted or required by this Article III.

ARTICLE IV
ALLOCATION OF PROFITS AND LOSSES

4.01 Net Losses

After giving effect to the special allocations in Sections 4.03 and 4.04, Net Losses for each Fiscal Year shall be allocated among the Members so as to reduce, proportionately, the differences between their respective Target Capital Accounts and Partially Adjusted Capital Accounts for such Fiscal Year. No portion of the Net Losses for any taxable year shall be allocated to a Member whose Partially Adjusted Capital Account is less than or equal to such Member's Target Capital Account for such Fiscal Year.

4.02 Net Profits

After giving effect to the special allocations in Sections 4.03 and 4.04, Net Profits for each Fiscal Year shall be allocated among the Members so as to reduce, proportionately, the differences between their respective Target Capital Accounts and Partially Adjusted Capital Accounts for such Fiscal Year. No portion of the Net Profits for any taxable year shall be allocated to a Member whose Partially Adjusted Capital Account is greater than or equal to such Member's Target Capital Account for such Fiscal Year.

4.03 Special Allocations

Notwithstanding any other provisions of this Agreement, no Net Losses or items of expense, loss or deduction shall be allocated to any Member to the extent such an allocation would cause or increase a deficit balance standing in such Member's Adjusted Capital Account and any such Net Losses and items of expense, loss and deduction shall instead be allocated to the Members in proportion to their respective "interests" in the Company as determined in accordance with Treasury Regulation Section 1.704-1(b). In addition, items of income and gain shall be specially allocated to the Members in accordance with and to the extent required by the qualified income offset provisions set forth in Treasury Regulation Section 1.704-1(b)(2)(ii)(d). Notwithstanding any other provision in this Article IV, (i) any and all "partnership nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the Company for any

Fiscal Year or other period shall be allocated to the Members in proportion to their respective Percentage Interests; (ii) any and all "partner nonrecourse deductions" (as such term is defined in Treasury Regulation Section 1.704-2(i)(2)) attributable to any "partner nonrecourse debt" (as such term is defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Member that bears the "economic risk of loss" (as determined under Treasury Regulation Section 1.752-2) for such "partner nonrecourse debt" in accordance with Treasury Regulation Section 1.704-2(i)(l); (iii) each Member shall be specially allocated items of Company income and gain in accordance with the partnership minimum gain chargeback requirements set forth in Treasury Regulation Sections 1.704-2(f) and 1.704-2(g); and (iv) each Member with a share of minimum gain attributable to any "partner nonrecourse debt" shall be specially allocated items of Company income and gain in accordance with the partner minimum gain chargeback requirements of Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(i)(5). Any and all "excess nonrecourse liabilities" as determined under Treasury Regulation Section 1.752-3(a)(3) shall be allocated to the Members in proportion to their respective Percentage Interests.

4.04 Curative Allocations

The allocations set forth in Section 4.03 (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 4.04. Therefore, notwithstanding any other provision of this Article IV (other than the Regulatory Allocations), the Administrative Member is hereby authorized to make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it reasonably determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to Sections 4.01 and 4.02. In exercising its discretion under this Section 4.04, the Administrative Member shall take into account future Regulatory Allocations under Section 4.03, that are likely to offset other Regulatory Allocations previously made under the provisions of this Section 4.04.

4.05 Differing Tax Basis; Tax Allocation

Depreciation and/or cost recovery deductions and gain or loss with respect to each item of property treated as contributed to the capital of the Company shall be allocated between the Members for federal income tax purposes in accordance with the principles of Section 704(c) of the Code and the Treasury Regulations promulgated thereunder, and for state income tax purposes in accordance with comparable provisions of the California Revenue & Taxation Code, as amended, and the regulations promulgated thereunder, so as to take into account the variation, if any, between the adjusted tax basis of such property and its book value (as determined for purposes of the maintenance of Capital Accounts in accordance with this Agreement and Treasury Regulation Section 1.704-1(b)(2)(iv)(g)).

ARTICLE V
DISTRIBUTION OF CASH FLOW

5.01 Cash Flow

Subject to Section 12.02, Cash Flow of the Company shall be determined and distributed on a quarterly basis (or at such other times as are determined by the Executive Committee), in the following order of priority:

(a) Unreturned Contribution Accounts. First, to the Members in proportion to, and to the extent of, the positive balances standing in their respective Unreturned Contribution Accounts, if any; and

(b) Percentage Interests. Thereafter, to the Members in proportion to their respective Percentage Interests.

5.02 Limitations on Distributions

Notwithstanding any other provision contained in this Agreement, the Company shall not make a distribution of Cash Flow (or other proceeds) to any Member if such distribution would violate Section 18-607 of the Delaware Act or other applicable law.

5.03 Withholding

If the Company is obligated to withhold and pay any taxes with respect to any Member, then any tax required to be withheld may be withheld from any distribution otherwise payable to such Member. Any such amounts withheld and remitted to the appropriate tax authority shall be deemed to have been distributed to the applicable Member and applied by such Member in payment of such tax liability.

5.04 In-Kind Distribution

Assets of the Company (other than cash) shall not be distributed in kind to the Members without the prior written approval of the Members.

ARTICLE VI
RESTRICTIONS ON TRANSFERS OF COMPANY INTERESTS

6.01 Limitations on Transfer

Except as otherwise set forth in Section 3.03, this Article VI, Article VII and Article VIII, no Member shall be entitled to sell, exchange, assign, transfer, or otherwise dispose of, pledge, hypothecate, encumber or otherwise grant a security interest in (collectively, the "Transfer"), directly or indirectly, all or any part of such Member's Interest in the Company or withdraw or retire from the Company, without the prior written consent of the other Member, which consent may be withheld in such other Member's sole and absolute discretion. Any transfer of a direct or indirect interest in any Member shall be deemed to be a Transfer for purposes of this Agreement, provided, however, that any transfer of a direct or indirect interest in a Member

resulting from the death of such interest holder, the transfer by such interest holder to a trust of which the interest holder and/or his or her spouse is/are the sole current income beneficiaries or the termination of a trust which is an interest holder shall not be deemed a Transfer for purposes of this Agreement. Any attempted Transfer or withdrawal in violation of the restrictions set forth in this Article VI shall be null and void ab initio and of no force or effect to the maximum extent allowed by law.

6.02 Permitted Transfers

Any Member may Transfer all or any portion of such Member's Interest in the Company to any of the following (collectively, "Permitted Transferees") without complying with the provisions of Section 6.01:

(a) Affiliates. In the case of either Member, to any Affiliate of such Member provided the original transferring Member (that executed this Agreement) thereafter owns at least twenty percent (20%) of the voting and beneficial interests in such Affiliate and at all times maintains control of such Affiliate;

(b) Stock Transfers. In the case of any direct and/or indirect owner of any Member that is a publicly traded corporation (including, without limitation, any shareholder of Tejon Ranch Co., a Delaware corporation), to any Person;

(c) Transfers of Direct or Indirect Interests in DP. Any direct or indirect ownership interest in DP may be transferred to any Person provided at all times following any such transfer (i) one (1) or more of Brett Dedeaux, Justin Dedeaux and Terry Dedeaux, individually or collectively, directly or indirectly, control DP, and (ii) one (1) or more of Brett Dedeaux, Justin Dedeaux and Terry Dedeaux own, in the aggregate, directly or indirectly, at least twenty percent (20%) of DP;

(d) Transfers as a Result of Foreclosure. In the case of either Member, to any Person that acquires an Interest in the Company pursuant to Section 6.08 below as the result of the exercise of any rights or remedies under Section 3.03(a); and

(e) Right of First Refusal. In the case of either Member, to any Person provided (i) such Transfer is made after the Project Stabilization Date, (ii) such Transfer is for the transferring Member's entire Interest in the Company, and (iii) the transferring Member fully complies with the provisions of Exhibit "I."

Any such Permitted Transferee shall receive and hold such ownership interest or portion thereof subject to the terms of this Agreement and to the obligations hereunder of the transferor. There shall be no further transfer of such ownership interest or portion thereof except to a Person to whom the original transferor could have transferred such ownership interest in accordance with this Section 6.02.

Notwithstanding any other provision of this Agreement, no transfer described in Section 6.02 shall be permitted if the consummation of such transfer would result in (i) the Company being obligated to pay any documentary transfer taxes, unless the transferring Member promptly reimburses the Company for the payment of all such documentary transfer taxes, or

(ii) a breach or violation of any transfer restrictions contained in the loan documentation (and/or guaranty) relative to any indebtedness encumbering all or any portion of the Project and/or any other agreement governing the Company, unless such transfer restrictions are waived by the non-transferring Member, the applicable lender and/or the parties to such agreement, as the case may be (provided payment by the transferring Member or its transferee of applicable lender fees and charges to effect such transfer shall not constitute a violation).

6.03 Admission of Substituted Members

If any Member transfers such Member's Interest to a transferee in accordance with Sections 6.01 and/or 6.02 above, then such transferee shall only be entitled to be admitted into the Company as a substituted member (and this Agreement shall be amended in accordance with the Delaware Act to reflect such admission), if: (i) the non-transferring Member reasonably approves the form and content of the instrument of transfer; (ii) the transferor and transferee named therein execute and acknowledge such other instruments as the non-transferring Member may deem reasonably necessary to effectuate such admission; (iii) the transferee in writing accepts and adopts all of the terms and conditions of this Agreement, as the same may have been amended; and (iv) the transferor pays, as the non-transferring Member may reasonably determine, all reasonable expenses incurred in connection with such admission, including, without limitation, legal fees and costs. To the maximum extent permitted by law, any assignee of an Interest who does not become a substituted member shall have no right to require any information or account of the Company's transactions, to inspect the Company books, or to vote on any of the matters as to which a member would be entitled to vote under this Agreement. An assignee shall only be entitled to share in such Net Profits and Net Losses, to receive such distributions, and to receive such allocations of income, gain, loss, deduction or credit or similar items to which the assignor was entitled, to the extent assigned. A Member that transfers such Member's Interest shall not cease to be a member of the Company until the admission of the assignee as a substituted member.

6.04 Election; Allocations between Transferor and Transferee

Upon the transfer of the Interest of any Member or the distribution of any property of the Company to a Member, the Company shall file an election in accordance with applicable Treasury Regulations, to cause the basis of the Company property to be adjusted for federal income tax purposes as provided by Sections 734 and 743 of the Code. Upon the transfer of all or any part of the Interest of a Member as hereinabove provided, Net Profits and Net Losses shall be allocated between the transferor and transferee on the basis of a computation method that is in conformity with the methods prescribed by Section 706 of the Code and Treasury Regulation Section 1.706-1(c)(2)(ii).

6.05 Partition

No Member shall have the right to partition any assets of the Company or any interest therein, nor shall a Member make application or proceeding for a partition thereto and, upon any breach of the provisions of this Section 6.05 by any Member, the other Member (in addition to all rights and remedies afforded by law or equity) shall be entitled to a decree or order restraining or enjoining such application, action or proceeding.

6.06 Waiver of Withdrawal and Purchase Rights

Except in connection with any transfer permitted in accordance with this Agreement, no Member may voluntarily withdraw, resign or retire from the Company without the prior written consent of the other Member, which consent may be withheld in such other Member's sole and absolute discretion. In furtherance of the foregoing, each Member hereby waives any and all rights such Member may have to withdraw and/or resign from the Company pursuant to Section 18-603 of the Delaware Act and hereby waives any and all rights such Member may have to receive the fair value of such Member's Interest in the Company upon such resignation and/or withdrawal pursuant to Section 18-604 of the Delaware Act.

6.07 No Appraisal Rights

Unless otherwise determined by the Members, none of the Members shall have any appraisal rights with respect to their Interests pursuant to Section 18-210 of the Delaware Act or otherwise.

6.08 Foreclosure of Interest

Notwithstanding any other term of this Agreement, upon a foreclosure, sale or other transfer of any Member's Interest in the Company pursuant to any security interest granted pursuant to Section 3.03(a), the holder of such Interest shall, with the approval of the other Member, be admitted as a substituted member of the Company upon such foreclosure, sale or other transfer, with all of the rights and obligations thereof permitted hereunder. The Company acknowledges that the pledge of any Interest in the Company pursuant to Section 3.03(a) shall be a pledge not only of Net Profits and Net Losses of the Company, but also a pledge of all rights and obligations of the pledgor thereunder. Upon a foreclosure, sale or other transfer of any Interest in the Company pursuant to Section 3.03(a), the successor member may transfer its Interest in the Company in accordance with this Agreement. Notwithstanding any provision in the Delaware Act or any other provision contained herein to the contrary, the pledgor under Section 3.03(a) shall be permitted to pledge and, upon any foreclosure of such pledge in connection with the admission of the secured party or other holder as a substituted member, to transfer to the secured party or other holder its rights and obligations to the Company pursuant to the terms of such pledge agreement.

ARTICLE VII
MEMBER DEFAULT

7.01 Default Events

For purposes of this Article VII, the following shall constitute "Default Events":

(a) Breach of Agreement. The breach of any material covenant, duty or obligation under this Agreement by any Member (other than a breach described in Section 7.01(b) or 7.01(c) for which there shall be no cure period) if (i) the breaching Member has received written notice from the other Member of the breach, and (ii) (A) the breach is not reasonably susceptible of being cured, or (B) subject to the following sentence, if the breach is reasonably susceptible of being cured, the breaching Member

has failed to commence the cure or remedy of the breach within fifteen (15) days following the effective date of the notice and failed to complete the cure or remedy within a reasonable period of time (not to exceed 60 days), unless the cure or remedy cannot be reasonably completed within such sixty (60)-day period and the breaching Member fails to diligently proceed with the cure or remedy to completion within an additional forty-five (45) days following the expiration of such initial sixty (60)-day period. Notwithstanding the foregoing, the breaching Member will only have the right to cure up to two (2) breaches described in this Section 7.01(a) to avoid any breach resulting in a Default Event hereunder;

(b) Capital Default. The failure of a Member to make timely a contribution required to be made pursuant to Section 3.02, or to timely repay any Default Loan in accordance with Section 3.03(a), followed by the election of the Contributing Member to treat such failure as a Default Event pursuant to Section 3.03(c);

(c) Prohibited Transfer, Encumbrance or Withdrawal. A Transfer or attempted Transfer by a Member of such Member's Interest in the Company (or portion thereof) or withdrawal or attempted withdrawal by a Member contrary to the provisions of Article VI;

(d) Bankruptcy or Insolvency. The rendering, by a court with appropriate jurisdiction, of a decree or order (i) adjudging a Member bankrupt or insolvent, or (ii) approving as properly filed a petition seeking reorganization, readjustment, arrangement, composition, or similar relief for a Member under the federal bankruptcy laws or any other similar applicable law or practice, provided that such decree or order shall remain in force, undischarged and unstayed, for a period of ninety (90) days;

(e) Appointment of Receiver. The rendering, by a court with appropriate jurisdiction, of a decree or order (i) for the appointment of a receiver, a liquidator, or a trustee or assignee in bankruptcy or insolvency of a Member, or for the winding up and liquidation of such Member's affairs, provided that such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days, or (ii) for the sequestration or attachment of any property of a Member without its return to the possession of such Member or its release from such sequestration or attachment within ninety (90) days thereafter; or

(f) Bankruptcy Proceedings. A Member (i) institutes proceedings to be adjudicated a voluntary bankrupt or an insolvent, (ii) consents to the filing of a bankruptcy proceeding against such Member, (iii) files a petition or answer or consent seeking reorganization, readjustment, arrangement, composition, or similar relief for such Member under the federal bankruptcy laws or any other similar applicable law or practice, (iv) consents to the filing of any such petition, or to the appointment of a receiver, a liquidator, or a trustee or assignee in bankruptcy or insolvency for such Member or a substantial part of such Member's property, (v) makes an assignment for the benefit of such Member's creditors, (vi) is unable to or admits in writing such Member's inability to pay such Member's debts generally as they become due, or (vii) takes any action in furtherance of any of the aforesaid purposes.

For the purposes of implementing the provisions contained in this Article VII, the "Defaulting Member" shall be: (i) in the case of the event referenced in Section 7.01(a), the Member that has breached any material covenant, duty or obligation under this Agreement; (ii) in the case of the event referenced in Section 7.01(b), the Non-Contributing Member; (iii) in the case of the occurrence of the event referenced in Section 7.01(c), the Member that has transferred such Member's rights or interests or withdrawn from the Company contrary to the provisions of Article VI; and (iv) in the case of the occurrence of any of the events referenced in Sections 7.01(d), (e) and/or (f), the Member that is the subject of such court decree or order or has instituted such proceedings or filed such petitions or who is insolvent, etc. The term "Non-Defaulting Member" shall mean the Member that is not the Defaulting Member. For the avoidance of doubt, any default by an Affiliate of a Member under any agreement between such Affiliate and the Company shall not constitute a Default Event by the Member under this Agreement. A Member shall cease to be a Defaulting Member solely for purposes of this Article VII following the occurrence of a Default Event with respect to such Member if the Non-Defaulting Member fails to deliver a Default Notice within the sixty (60)-day or ninety (90)-day periods, as the case may be, set forth in Section 7.02, following the occurrence of such Default Event.

7.02 Rights Arising From a Default Event

Within sixty (60) days after the date that the Non-Defaulting Member is aware of the occurrence of an uncured Default Event (or ninety (90) days after the occurrence of any default described in Section 7.01(b)) the Non-Defaulting Member shall have the right, but not the obligation, to implement the default procedures set forth in this Article VII by delivering written notice ("Default Notice") thereof to the Defaulting Member. Failure of a Non-Defaulting Member to deliver a Default Notice within such sixty (60)-day or ninety (90)-day period shall not be deemed to be a waiver of the right to deliver a Default Notice upon the occurrence of any subsequent Default Event.

7.03 Determination of Defaulting Member's Purchase Price

Within thirty (30) days after the determination of the Appraised Value of the assets of the Company, the Accounting Firm shall determine the amount of cash which would be distributed to each Member if (i) the assets of the Company were sold for the Appraised Value thereof as of the effective date of the Default Notice; (ii) the liabilities of the Company were liquidated pursuant to Section 12.02(a); (iii) a reasonable reserve for any contingent, conditional or unmatured liabilities or obligations of the Company was established by the Non-Defaulting Member pursuant to Section 12.02(b); and (iv) any remaining amounts (including, without limitation, any cash proceeds of the Company) were distributed to the Members in accordance with the provisions of Section 12.02(c). Upon such determination, the Accounting Firm shall give each Member written notice ("Accountant's Notice") thereof. The determination by the Accounting Firm of such amounts, including all components thereof, shall be deemed conclusive absent any material computational error. In the case of a Default Event described in Section 7.01(a), (b) or (c), ninety percent (90%), and in the case of any other Default Event, one hundred percent (100%), of the amount which would be distributed to the Defaulting Member pursuant to Section 12.02(c) shall be deemed the purchase price for the Defaulting Member's

Interest (the "Defaulting Member's Purchase Price") for purposes of this Article VII; subject, however, to adjustment for any Default Loans as provided in Section 7.09.

(a) Determination of Appraised Value. For purposes of this Article VII, the appraised value ("Appraised Value") of the assets of the Company shall be determined as follows: The Appraised Value shall be determined by one (1) or more independent qualified M.A.I. appraisers with at least five (5) years' experience appraising industrial real estate projects. The Non-Defaulting Member shall select one (1) appraiser and shall include such selection in the Default Notice. Within fifteen (15) Business Days following the effective date of the Default Notice, the Defaulting Member shall either agree to the appraiser selected by the Non-Defaulting Member or select a second (2nd) appraiser and give written notice to the Non-Defaulting Member of the person so selected. If either the Non-Defaulting Member or the Defaulting Member fails to appoint such an appraiser within the time period specified and after the expiration of five (5) Business Days following the effective date of written demand that an appraiser be appointed, then the appraiser duly appointed by the Member making such demand to appoint such appraiser shall proceed to make the appraisal as herein set forth, and the determination thereof shall be conclusive on both of the Members. If two (2) appraisers are selected, then such selected appraisers shall thereafter appoint a third (3rd) appraiser. If the two (2) selected appraisers fail to appoint a third (3rd) appraiser within ten (10) Business Days following the effective date of written notice from the Defaulting Member notifying the Non-Defaulting Member of the selection of the second (2nd) appraiser, then any Member may petition a court of competent jurisdiction to appoint a third (3rd) appraiser, in the same manner as provided for the appointment of an arbitrator pursuant to California Code of Civil Procedure Section 1281.6.

The appraiser or three (3) appraisers, as the case may be, shall promptly determine a date for the completion of the appraisal, which shall not be later than sixty (60) days from the effective date of the appointment of the last appraiser.

The appraiser(s) shall determine the Appraised Value by determining the fair market value of the assets of the Company, such fair market value being the fairest price estimated in the terms of money which the Company could obtain if such assets were sold in the open market allowing a reasonable time to find a purchaser who purchases with knowledge of the business of the Company at the time of the occurrence of the Default Event.

Upon submission of the appraisals setting forth the opinions as to the Appraised Value of the assets of the Company, the two (2) such appraisals which are nearest in amount shall be retained, and the third (3rd) appraisal shall be discarded. The average of the two (2) retained appraisals shall constitute the Appraised Value of the assets of the Company for purposes of this Article VII; unless one (1) appraisal is the mean of the other two (2) appraisals, in which case such appraisal shall constitute the Appraised Value of the assets of the Company for purposes of this Article VII.

(b) Payment of Costs. Except as provided below, the Non-Defaulting Member shall pay for the services of the appraiser appointed by such Member, and the

Defaulting Member shall pay for the services of the appraiser appointed by such Member. The cost of the services of the third (3rd) appraiser, if any, shall be paid one-half (½) by the Non-Defaulting Member, on the one hand, and one-half (½) by the Defaulting Member, on the other hand. The costs of the services of the Accounting Firm and, in the event only one (1) appraiser is required, the cost of the services of such appraiser, shall be paid one-half (½) by the Non-Defaulting Member, on the one hand, and one-half (½) by the Defaulting Member, on the other hand.

7.04 Non-Defaulting Members' Option

For a period of thirty (30) days after the effective date of the Accountant's Notice, the Non-Defaulting Member shall have the right, but not the obligation, to elect to purchase the entire Interest of the Defaulting Member for the Defaulting Member's Purchase Price, and on the terms and conditions set forth in this Article VII by giving written notice of such election to the Defaulting Member within such thirty (30)-day period. Failure by the Non-Defaulting Member to timely give written notice exercising such Member's right to elect to purchase set forth in this Section 7.04 shall be deemed an election by such Member to waive such right to purchase with respect to the particular Default Event that triggered the application of the provisions of this Article VII.

7.05 Closing Adjustments

Within five (5) days before the actual date of the closing pursuant to Section 7.06 below, the Accounting Firm shall recalculate the amount of cash which would be distributed to each Member pursuant to Section 12.02(c), if such amount were determined as of the closing date under Section 7.06 (in lieu of the effective date of the Default Notice) taking into account any contributions and/or distributions made after the effective date of the Default Notice. Upon such determination, the Accounting Firm shall give each Member written notice ("Adjusted Accountant's Notice") thereof. The Accounting Firm shall reasonably and in good faith adjust the Defaulting Member's Purchase Price, if and to the extent necessary, to take into account the adjustments described in the Adjusted Accountant's Notice and to take into account appropriate prorations that would have been made if there had been an actual sale of the Project to a third party as of the date of the closing under Section 7.06.

7.06 Closing of Purchase and Sale

The closing of a purchase and sale pursuant to this Article VII shall be held at the principal office of the Company in California on a Business Day designated by the Non-Defaulting Member that is not later than sixty (60) days after the expiration of the thirty (30)-day period set forth in Section 7.04. The Defaulting Member shall transfer to the purchasing Non-Defaulting Member (or such Member's nominee(s)) the entire Interest of the Defaulting Member free and clear of all liens, security interests, and competing claims and shall deliver to the Non-Defaulting Member (or such Member's nominee(s)) such instruments of transfer and such evidence of due authorization, execution, and delivery, and of the absence of any such liens, security interests, or competing claims as the Non-Defaulting Member (or such Member's nominee(s)) shall reasonably request.

7.07 Representations and Warranties

At the closing, the Defaulting Member shall represent and warrant to the Non-Defaulting Member that the sale of the Defaulting Member's Interest to the Non-Defaulting Member (or its nominee) (i) does not violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which the Defaulting Member is a party (exclusive of any such agreement or other instrument or obligation to which the Company is a party), or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to the Defaulting Member or any of the other properties or assets of the Defaulting Member. The Defaulting Member shall also represent and warrant to the Non-Defaulting Member at such closing that no notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any Person, is necessary in connection with the sale of its Interest to the Non-Defaulting Member.

7.08 Payment of Defaulting Member's Purchase Price

The Non-Defaulting Member shall pay (or cause to be paid) the entire Defaulting Member's Purchase Price by delivering at the closing a confirmed wire transfer of readily available funds or one (1) or more certified or bank cashier's checks made payable to the order of the Defaulting Member.

7.09 Repayment of Default Loans

The Defaulting Member's Purchase Price shall be offset at the closing of such purchase by the then unpaid principal balance of any and all Default Loan(s) (together with all accrued, unpaid interest thereon) made by the Non-Defaulting Member to the Defaulting Member. Such Default Loan(s) (together with all accrued, unpaid interest thereon) shall be deemed paid to the extent of such offset, with such deemed payment to be applied first to the accrued interest thereon and thereafter to the payment of the outstanding principal amount thereof. If the Defaulting Member's Purchase Price is insufficient to fully offset the then unpaid principal balance of any and all Default Loans (together with all accrued, unpaid interest thereon) made by the Non-Defaulting Member to the Defaulting Member, then the portion of any such Default Loan(s) (and accrued, unpaid interest thereon) that remains outstanding following such offset shall be required to be paid by the Defaulting Member at the closing referenced in Section 7.06. Also, notwithstanding any other provision of this Agreement, the unpaid balance of any and all Default Loan(s) (including all outstanding principal amounts thereof and all accrued, unpaid interest thereon) made by the Defaulting Member to the Non-Defaulting Member be required to be paid by the Non-Defaulting Member at the closing referenced in Section 7.06.

7.10 Release and Indemnity

On or before the closing of a purchase and sale held pursuant to this Article VII, the Non-Defaulting Member shall use such Member's reasonable and good faith efforts to obtain written

releases of the Defaulting Member and the Defaulting Member's Affiliates from all liabilities under all Recourse Documents and Nonrecourse Documents and all other liabilities of the Company for which the Defaulting Member and/or its Affiliates may have personal liability, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer (as such terms are defined in Section 10.02(a) below) of such Defaulting Member or any Affiliate thereof. To the extent the Non-Defaulting Member is unable to obtain such releases on or before the closing, the Non-Defaulting Member and an Affiliate of the Non-Defaulting Member with a net worth reasonably acceptable to the Defaulting Member shall jointly and severally indemnify, defend and hold the Defaulting Member and its Affiliates wholly harmless from and against all such liabilities and guaranties, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer of the Defaulting Member or any Affiliate thereof. For purposes of clarification, the release, indemnity and related provisions set forth above in this Section 7.10 shall not apply to any Losses which are incurred by the Defaulting Member or its Affiliates to the extent such liabilities arise under an Affiliate Agreement.

7.11 Withdrawal of the Defaulting Member

If the Interest of the Defaulting Member is purchased by the Non-Defaulting Member (or its nominee) pursuant to this Article VII, then, effective as of the closing for such purchase, the Defaulting Member shall withdraw as a member of the Company. Notwithstanding the foregoing, any indemnity of the Defaulting Member and its Affiliates provided for under this Agreement including, without limitation, under Section 10.02(b) shall survive the sale of the Interest of the Defaulting Member and its withdrawal as a member of the Company.

7.12 Distribution of Reserves

Within one (1) year following the closing of the purchase of the entire Interest of the Defaulting Member in the Company pursuant to this Article VII, the Non-Defaulting Member shall pay to the Defaulting Member an amount equal to the difference between the Defaulting Member's Purchase Price determined pursuant to Section 7.03 and the amount that the Defaulting Member's Purchase Price would have been equal to if (i) no reserves had been established or deducted in calculating the Defaulting Member's Purchase Price, and (ii) the amount used in determining the Defaulting Member's Purchase Price under Section 7.03 had been reduced by the aggregate amount of any contingent, unmatured or conditional liabilities of the Company (for which such reserve was established) that were actually paid by the Company during such one (1)-year period.

ARTICLE VIII
ELECTIVE BUY/SELL AGREEMENT

8.01 Buy/Sell Election

If there is a continuing Impasse Event under this Agreement, then either Member that is not a Defaulting Member (the "Electing Member") shall have the right, but not the obligation, at any time after the Lockout Date to elect to implement the buy/sell procedures set forth in this Article VIII by delivering written notice of such election ("Election Notice") to the other Member (the "Non-Electing Member"). The term "Lockout Date" means the earlier of (i) the

completion of the Project (exclusive of any tenant improvements), or (ii) the twenty-four (24) month anniversary of the Effective Date. The Election Notice shall set forth a stated value (the "Stated Value"), as determined in the sole and absolute discretion of the Electing Member, for all of the assets of the Company.

8.02 Determination of the Purchase Price

Within ten (10) Business Days following the effective date of any Election Notice (or as soon as reasonably possible thereafter), the Accounting Firm shall determine the aggregate amount of cash which would be distributed to each Member if (i) the assets of the Company were sold for their Stated Value as of the effective date of the Election Notice; (ii) the known non-contingent liabilities of the Company (exclusive of any prepayment penalties payable with respect to any Loan obtained by the Company) were liquidated pursuant to Section 12.02(a); (iii) a reserve was not established for any contingent, conditional or unmatured liabilities or obligations of the Company pursuant to Section 12.02(b); and (iv) any remaining amounts were distributed to the Members in accordance with the provisions of Section 12.02(c). Upon such determination, the Accounting Firm shall give each Member written notice ("Price Determination Notice") thereof. The determination by the Accounting Firm of such amounts including all components thereof, shall be deemed conclusive on all of the Members, absent any material computational error. One hundred percent (100%) of the amount that would be distributed to each Member pursuant to Section 12.02(c) shall be deemed the purchase price ("Purchase Price") for such Member's Interest for purposes of this Article VIII; subject, however, to adjustment for any Default Loans described in Section 8.08.

8.03 Non-Electing Member's Option

For a period of thirty (30) days following the effective date of the Price Determination Notice, the Non-Electing Member shall have the option to elect by delivering written notice (the "Purchase Notice") of such election to the Electing Member within such thirty (30)-day period, either (i) to purchase the Electing Member's entire Interest for the Purchase Price thereof, or (ii) to sell such Non-Electing Member's entire Interest to the Electing Member for the Purchase Price thereof. Failure of the Non-Electing Member to timely and validly make an election in accordance with this Section 8.03 shall constitute an election by such Non-Electing Member to sell such Non-Electing Member's entire Interest for the Purchase Price thereof to the Electing Member.

8.04 Deposit

WITHIN FIVE (5) BUSINESS DAYS AFTER THE EXPIRATION OF THE THIRTY (30)-DAY OPTION PERIOD SET FORTH IN SECTION 8.03, THE BUYING MEMBER SHALL DEPOSIT INTO AN ESCROW ACCOUNT ESTABLISHED BY THE BUYING MEMBER WITH A NATIONALLY RECOGNIZED TITLE COMPANY, A DEPOSIT (THE "DEPOSIT") BY A WIRE TRANSFER OF IMMEDIATELY AVAILABLE FEDERAL FUNDS IN AN AMOUNT EQUAL TO THREE PERCENT (3%) OF THE PURCHASE PRICE, WHICH SHALL BE NON-REFUNDABLE TO THE BUYING MEMBER IF THE CLOSING OF THE SALE FAILS TO OCCUR AS A RESULT OF THE BUYING MEMBER'S DEFAULT. UPON THE CLOSING OF THE SALE, THE DEPOSIT

SHALL BE A CREDIT AGAINST THE PURCHASE PRICE. SUBJECT TO SECTION 8.10, IF THE SALE FAILS TO OCCUR DUE TO THE BUYING MEMBER'S DEFAULT, THEN THE SELLING MEMBER SHALL RETAIN THE DEPOSIT OF THE BUYING MEMBER AS LIQUIDATED DAMAGES, AS ITS SOLE AND EXCLUSIVE REMEDY AT LAW IN CONNECTION WITH SUCH DEFAULT. THE MEMBERS ACKNOWLEDGE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH THE SELLING MEMBER MAY SUFFER IN CONNECTION WITH A DEFAULT BY THE BUYING MEMBER UNDER THIS ARTICLE VIII. THEREFORE, SUBJECT TO SECTION 8.10, THE MEMBERS HAVE AGREED THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT THE SELLING MEMBER WOULD SUFFER IN SUCH EVENT IS AND SHALL BE THE RIGHT OF THE SELLING MEMBER TO RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES, AS ITS SOLE AND EXCLUSIVE REMEDY AT LAW UNDER THIS ARTICLE VIII. THE MEMBERS EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE RETENTION OF THE DEPOSIT IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF DELAWARE LAW (OR CALIFORNIA CIVIL CODE SECTION 3375 OR 3369 OR UNDER ANY OTHER STATE LAWS TO THE EXTENT DELAWARE LAW DOES NOT APPLY), BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE SELLING MEMBER PURSUANT TO DELAWARE LAW (OR CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677 OR UNDER ANY OTHER STATE LAWS TO THE EXTENT DELAWARE LAW DOES NOT APPLY). NOTHING CONTAINED HEREIN SHALL LIMIT OR OTHERWISE AFFECT ANY RIGHTS THE SELLING MEMBER MAY HAVE TO OBTAIN SPECIFIC PERFORMANCE AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OTHER EQUITABLE REMEDIES. THE MEMBERS ACKNOWLEDGE THAT THEY HAVE BEEN ADVISED BY THEIR COUNSEL WITH RESPECT TO THE FOREGOING PROVISIONS OF THIS SECTION 8.04 AND BY THEIR INITIALS SET FORTH BELOW INDICATE THAT THE FOREGOING REMEDIES ARE FAIR AND REASONABLE AND AGREE AND COVENANT NOT TO CONTEST THE VALIDITY OF SUCH REMEDY AS A PENALTY, FORFEITURE OR OTHERWISE IN ANY COURT OF LAW (AND/OR IN ANY ARBITRATION PROCEEDING).

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8.05 Closing Adjustments

Within five (5) days before the actual date of the closing pursuant to Section 8.06 below, the Accounting Firm shall recalculate the amount of cash which would be distributed to each Member pursuant to Section 12.02(c) if such amount were determined as of the closing date under Section 8.06 (in lieu of the effective date of the Election Notice) taking into account any contributions and/or distributions that occur after the effective date of the Election Notice. Upon such determination, the Accounting Firm shall give each Member written notice ("Adjusted Price Determination Notice") thereof. The Accounting Firm shall reasonably and in good faith adjust the buying Member's Purchase Price, if and to the extent necessary, to take into account the adjustments described in the Adjusted Price Determination Notice and to take into account appropriate prorations that would have been made if there had been an actual sale of the Project to a third party.

8.06 Closing of Purchase and Sale

The closing of a purchase and sale held pursuant to this Article VIII shall be held at the principal office of the Company on a Business Day designated by the buying Member within sixty (60) days following the earlier of (i) the effective date upon which the Non-Electing Member has delivered the Purchase Notice pursuant to Section 8.03, or (ii) the expiration of the thirty (30)-day option period set forth in Section 8.03. The selling Member shall transfer to the buying Member (or the buying Member's nominee(s)) the entire Interest of the selling Member free and clear of all liens, security interests, and competing claims and shall deliver to the buying Member (or the buying Member's nominee(s)) such instruments of transfer and such evidence of due authorization, execution, and delivery, and of the absence of any such liens, security interests, or competing claims, as the buying Member (or the buying Member's nominee(s)) shall reasonably request. The Purchase Price for the selling Member's Interest shall be paid by the buying Member by delivering at the closing of a confirmed wire transfer of readily available funds or one (1) or more certified or bank cashier's checks made payable to the selling Member in an amount equal to the Purchase Price, less the amount of the Deposit paid by the buying Member pursuant to Section 8.04 above (which shall be released to the selling Member at the closing). Effective as of the closing for the purchase of the selling Member's Interest, the selling Member shall withdraw as a member of the Company. In connection with any such withdrawal, the buying Member may cause any nominee designated in the sole and absolute discretion of such Member to be admitted as a substituted member of the Company. Notwithstanding the foregoing, any indemnity of the selling Member and its Affiliates provided for under this Agreement including, without limitation, under Section 10.02(b) shall survive the sale of the Interest of the selling Member and its withdrawal as a member of the Company.

8.07 Representations and Warranties

At the closing, the selling Member shall represent and warrant to the buying Member that the sale of the selling Member's Interest to the buying Member (or its nominee) (i) does not violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which the selling Member is a party (exclusive of any such agreement or other instrument or obligation to which the Company is a party), or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to the selling Member or any of the other properties or assets of the selling Member (exclusive of its Interest in the Company). The selling Member shall also represent and warrant to the buying Member at such closing that no notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any Person, is necessary in connection with the sale of its Interest to the buying Member.

8.08 Repayment of Default Loans

The Purchase Price shall be offset at the closing of such purchase by the then unpaid principal balance of any and all Default Loan(s) (together with all accrued, unpaid interest thereon) made by the buying Member to the selling Member. Such Default Loan(s) (together

with all accrued, unpaid interest thereon) shall be deemed paid to the extent of such offset, with such deemed payment to be applied first to the accrued interest thereon and thereafter to the payment of the outstanding principal amount thereof. If the Purchase Price is insufficient to fully offset the then unpaid principal balance of any and all Default Loan(s) (together with all accrued, unpaid interest thereon) made by the buying Member to the selling Member, then the portion of any such Default Loan(s) (and accrued, unpaid interest thereon) that remains outstanding following such offset shall be required to be paid by the selling Member at the closing referenced in Section 8.06. Also, notwithstanding any provision of this Agreement to the contrary, the unpaid balance of any and all Default Loan(s) (including all outstanding principal amounts thereof and all accrued, unpaid interest thereon) made by the selling Member to the buying Member shall be required to be paid by the buying Member at the closing referenced in Section 8.06.

8.09 Release and Indemnity

On or before the closing of a purchase and sale held pursuant to this Article VIII, the buying Member shall use such Member's reasonable and good faith efforts to obtain written releases of the selling Member and the selling Member's Affiliates from all liabilities under all Recourse Documents and Nonrecourse Documents and all other liabilities of the Company for which the selling Member and/or its Affiliates may have personal liability, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer of such selling Member or any Affiliate thereof. To the extent the buying Member is unable to obtain such releases on or before the closing, the buying Member and an Affiliate of the buying Member with a net worth reasonably acceptable to the selling Member shall jointly and severally indemnify, defend and hold the selling Member and its Affiliates wholly harmless from and against all such liabilities and guaranties, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer of such selling Member or any Affiliate thereof. For purposes of clarification, the release, indemnity and related provisions set forth above in this Section 8.09 shall not apply to any Losses which are incurred by the Defaulting Member or its Affiliates to the extent such liabilities arise under an Affiliate Agreement.

8.10 Interim Event of Default

If the buying Member breaches its obligation under this Article VIII to timely and validly close the purchase of the selling Member's Interest, then (i) the buying Member shall not have any further right to deliver an Election Notice pursuant to Section 8.01 for a period of one (1) year after the date of such default, and (ii) the selling Member shall have the right, but not the obligation, to elect to purchase the Interest of the buying Member by delivering a Purchase Notice to such buying Member within thirty (30) days following such default. If the selling Member makes the election described in clause (ii) above, then the Purchase Price for the buying Member's Interest shall be ninety percent (90%) of the amount that was otherwise determined under Section 8.02 and such purchase and sale shall otherwise be on the other terms and conditions set forth in this Article VIII. If the selling Member delivers a Purchase Notice pursuant to this Section 8.10, then the selling Member shall not be entitled to retain the Deposit under Section 8.04.

8.11 Application of Provisions

The Members acknowledge and agree that if either Member has timely and validly delivered an Election Notice to the other Member and initiated the buy/sell procedures set forth in this Article VIII, then such other Member shall be precluded from delivering an Election Notice unless such buy/sell procedure has been terminated.

ARTICLE IX
REPRESENTATIONS, WARRANTIES, COVENANTS AND OTHER MATTERS

9.01 Tejon Representations

As of the Effective Date, each of the statements in this Section 9.01 shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein. Tejon hereby represents and warrants as follows for the sole and exclusive benefit of DP, each of which is material and is being relied upon by DP as of the Effective Date:

(a) Due Formation. Tejon is a duly organized limited liability company validly existing and in good standing under the laws of the State of California and has the requisite power and authority to enter into and carry out the terms of this Agreement;

(b) Required Actions. All action required to be taken by Tejon to execute and deliver this Agreement has been taken by Tejon and no further approval of any member, partner, shareholder, manager, officer, board, court, or other body is necessary to permit Tejon to execute and deliver this Agreement;

(c) Binding Obligation. This Agreement and all other documents to be executed and delivered by Tejon pursuant to the terms of this Agreement will on the date such Agreement and documents are fully executed and delivered constitute legal, valid, and binding obligations of Tejon, enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting generally the enforcement of creditors' rights, and statutes or rules of equity concerning the enforcement of the remedy of specific performance (collectively, the "Enforceability Exceptions");

(d) No Consent. No notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any Person, is necessary in connection with (i) the execution and delivery of this Agreement by Tejon, or (ii) the consummation and performance by Tejon of the transactions contemplated by this Agreement (other than the usual and customary consents and permits required to be issued in connection with the development of the Property);

(e) Violation of Law. Neither the execution and delivery of this Agreement by Tejon, nor the consummation by Tejon of the transactions contemplated hereby, nor compliance by Tejon with any of the provisions hereof will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or

an event which, with notice or lapse of time or both, would constitute a material default) under, any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which the Company and/or Tejon is a party as of the Effective Date or to which the Company and/or Tejon or any of the other properties or assets of the Company and/or Tejon may be subject as of the Effective Date, or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to the Company and/or Tejon or any of the other properties or assets of the Company and/or Tejon as of the Effective Date;

(f) No Litigation. To the Actual Knowledge of Tejon, there is no litigation, arbitration, legal or administrative suit, action, proceeding or investigation of any kind, pending or threatened in writing (nor any basis therefor), which questions, directly or indirectly, the validity or enforceability of this Agreement as to Tejon;

(g) No Member Obligations. Tejon has not incurred any other obligations or liabilities (excluding any obligations or liabilities related to the Property) which could individually or in the aggregate adversely affect Tejon's ability to perform its obligations under this Agreement or which would become obligations or liabilities of DP or the Company;

(h) Anti-Terrorism. Neither Tejon, nor any of its Affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers or directors, is, nor will they become, a Person with whom U.S. persons or entities are restricted from doing business under regulations of Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such Person;

(i) No Plan Assets. Tejon does not hold the assets of any "employee benefit plan" as defined by Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, any "plan" as described by Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, or any Person deemed to hold the plan assets of the foregoing;

(j) Most Knowledgeable Individuals. Lyda and McMahon are the individuals employed or affiliated with Tejon that have the most knowledge and information regarding the representations and warranties made in this Section 9.01

(k) No Untrue Statements. To the Actual Knowledge of Tejon, no representation, warranty or covenant of Tejon in this Agreement contains or will contain any untrue statement of material facts or omits or will omit to state material facts necessary to make the statements or facts contained therein not misleading; and

(l) Development of Parcel 1A. Tejon Industrial Corp. is the fee title owner of Parcel 1A. Neither Tejon nor Tejon Industrial Corp. nor any Affiliate of either of them has granted any Person the right to purchase or participate in the development of Parcel 1A that is or will be binding and enforceable as of the Effective Date other than the right granted to Dedeaux Properties pursuant to Section 10.05 hereof (the "DP ROFO"). Additionally, for so long as the DP ROFO has not been terminated pursuant to the provisions of Section 10.05 hereof, Tejon Industrial Corp. shall not grant any Person other than DP Member the right to purchase or participate in the development of Parcel 1A.

The term "Actual Knowledge of Tejon" means the actual present knowledge of Lyda and McMahon without regard to any imputed or constructive knowledge and without any duty of inquiry or investigation. In no event shall Lyda or McMahon have any liability for the breach of any of the representations or warranties set forth in this Agreement.

9.02 DP Representations

As of the Effective Date, each of the statements in this Section 9.02 shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein. DP hereby represents and warrants as follows for the sole and exclusive benefit of Tejon, each of which is material and is being relied upon by Tejon as of the Effective Date:

(a) Due Formation. DP is a duly organized limited liability company validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority to enter into and carry out the terms of this Agreement;

(b) Required Actions. All action required to be taken by DP to execute and deliver this Agreement has been taken and no further approval of any member, partner, shareholder, manager, officer, board, court, or other body is necessary to permit DP to execute and deliver this Agreement;

(c) Binding Obligation. This Agreement and all other documents to be executed and delivered by DP pursuant to the terms of this Agreement will on the date such Agreement and documents are fully executed and delivered constitute legal, valid, and binding obligations of DP, enforceable in accordance with their terms, except as such enforceability may be limited by any Enforceability Exception;

(d) No Consent. No notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any Person, is necessary in connection with (i) the execution and delivery of this Agreement, or (ii) the consummation and performance by DP of the transactions contemplated by this Agreement (other than the usual and customary consents and permits required to be issued in connection with the development of the Property);

(e) Violation of Law. Neither the execution and delivery of this Agreement, nor the consummation by DP of the transactions contemplated hereby, nor compliance by DP with any of the provisions hereof will (i) violate, conflict with, or

result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under, any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which the Company and/or DP is a party as of the Effective Date or to which the Company and/or DP or any of the other properties or assets of the Company and/or DP may be subject as of the Effective Date, or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to the Company and/or DP or any of the other properties or assets of the Company and/or DP as of the Effective Date;

(f) No Litigation. To the Actual Knowledge of DP, there is no litigation, arbitration, legal or administrative suit, action, proceeding or investigation of any kind, pending or threatened in writing (nor any basis therefor), which questions, directly or indirectly, the validity or enforceability of this Agreement to DP;

(g) No Member Obligations. DP has not incurred any obligations or liabilities which could individually or in the aggregate adversely affect DP's ability to perform its obligations under this Agreement or which would become obligations or liabilities of Tejon or the Company;

(h) Anti-Terrorism. Neither DP, nor any of its Affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers or directors, is, nor will they become, a Person with whom U.S. Persons are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such Persons;

(i) No Plan Assets. DP does not hold the assets of any "employee benefit plan" as defined by Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, any "plan" as described by Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, or any entity deemed to hold the plan assets of the foregoing;

(j) Most Knowledgeable Individual. Brett Dedeaux is the individual employed or affiliated with DP that has the most knowledge and information regarding the representations and warranties made in this Section 9.02; and

(k) No Untrue Statements. To the Actual Knowledge of DP, no representation, warranty or covenant of DP in this Agreement contains any untrue statement of material facts or omits to state material facts necessary to make the statements or facts contained therein not misleading.

The term "Actual Knowledge of DP" means the actual present knowledge of Brett Dedeaux without regard to any imputed or constructive knowledge and without any duty of

inquiry or investigation. In no event shall Brett Dedeaux have any liability for the breach of any of the representations or warranties set forth in this Agreement.

9.03 Brokerage Fee Representation and Indemnity

Each Member hereby agrees to indemnify, defend and hold the other Member wholly harmless from and against all Losses arising out of any claim for brokerage or other commissions relative to this Agreement, or the transactions contemplated herein insofar, as any such claim arises by reason of services alleged to have been rendered to or at the request of such indemnifying Member or any Affiliate thereof. No Member shall receive any credit to its Capital Account or Unreturned Contribution Account or otherwise be reimbursed by the Company for any amounts paid by such Member pursuant to this Section 9.03.

9.04 Investment Representations

Each Member agrees as follows with respect to investment representations:

(a) Member Understandings. Each Member understands the following:

(i) No Registration. That the Interests in the Company evidenced by this Agreement have not been registered under the Securities Act of 1933, 15 U.S.C. § 15b et seq., the Delaware Securities Act, the California Corporate Securities Law of 1968 or any other state securities laws (the "Securities Acts") because the Company is issuing Interests in the Company in reliance upon the exemptions from the registration requirements of the Securities Acts providing for issuance of securities not involving a public offering;

(ii) Reliance by the Company. That the Company has relied upon the representation made by each Member that the Interest issued to such Member is to be held by such Member for investment; and

(iii) No Distribution. That exemption from registration under the Securities Acts would not be available if any Interest in the Company was acquired by a Member with a view to distribution. Each Member agrees that the Company is under no obligation to register the Interests or to assist the Members in complying with any exemption from registration under the Securities Acts if the Member should at a later date wish to dispose of such its Interest in the Company.

(b) Acquisition for Own Account. Each Member hereby represents to the Company and the other Member that such representing Member is acquiring its Interest in the Company for such Member's own account, for investment and not with a view to resale or distribution. Notwithstanding the foregoing, DP has informed Tejon that DP is acquiring its Interest in the Company with the expectation that DP will admit one (1) or more capital partners in accordance with the terms of this Agreement as investors in DP or in an Affiliate of DP to hold the Interest and that DP will be soliciting potential capital partners for such investment. DP hereby covenants and agrees that the solicitation and

admission of any such capital partner in DP or in an Affiliate of DP will be made in full compliance with all applicable state and federal securities laws.

(c) No Public Market. Each Member recognizes that no public market exists with respect to the Interests and no representation has been made that such a public market will exist at a future date.

(d) No Advertisement. Each Member hereby represents that such Member has not received any advertisement or general solicitation with respect to the sale of the Interests.

(e) Pre-Existing Business Relationship. Each Member acknowledges that such Member has a preexisting personal or business relationship with the Company or its officers, directors, or principal interest holders, or, by reason of such Member's business or financial experience or the business or financial experience of such Member's financial advisors (who are not affiliated with the Company), could be reasonably assumed to have the capacity to protect such Member's own interest in connection with the acquisition of its Interest. Each Member further acknowledges that such Member is familiar with the financial condition and prospects of the Company's business, and has discussed with the other Member the current activities of the Company. Each Member believes that the Interest is a security of the kind such Member wishes to purchase and hold for investment, and that the nature and amount of the Interest is consistent with such Member's investment program.

(f) Due Investigation. Before acquiring any Interest in the Company, each Member has investigated the Company and its business and the Company has made available to each Member all information necessary for the Member to make an informed decision to acquire an Interest in the Company. Each Member considers itself to be a Person possessing experience and sophistication as an investor adequate for the evaluation of the merits and risks of the Member's investment in the Company.

9.05 Indemnification Obligations

In addition to the indemnity described in Section 9.03 above, each Member hereby unconditionally and irrevocably covenants and agrees to indemnify, defend and hold harmless the Company, the other Member and such other Member's partners, members, shareholders, officers, directors, employees, agents and other representatives (collectively, the "Affiliated Parties") from and against any and all Losses incurred by the other Member and/or such Affiliated Parties to the extent such Losses arise out of any material inaccuracy or material breach of any representations or warranties made by such Member under this Agreement. No Member shall receive any credit to its Capital Account or Unreturned Contribution Account or otherwise be reimbursed by the Company for any amounts paid by such Member pursuant to this Section 9.05.

9.06 Survival of Representations, Warranties and Covenants

Each Member understands the meaning and consequences of the representations, warranties and covenants made by such Member set forth in this Article IX and that the

Company and the other Member have relied upon such representations, warranties and covenants. All representations, warranties and covenants contained in this Article IX shall survive the execution of this Agreement, the formation of the Company, the withdrawal of any Member as a member of the Company and the Liquidation of the Company.

ARTICLE X
LIABILITY, EXCULPATION, RESTRICTIONS ON COMPETITION, FIDUCIARY DUTIES AND INDEMNIFICATION

10.01 Liability for Company Claims

Except as otherwise provided by this Agreement, the Delaware Act and/or any other applicable law, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

10.02 Exculpation, Indemnity and Reliance on Information

The Members hereby agree to the exculpation, indemnity and other provisions set forth below as follows:

(a) Limitation on Covered Person Liability. No authorized person, Member or Officer of the Company, or, if designated by the Executive Committee, any Affiliate or any direct or indirect members, partners, shareholders, directors, officers, managers, trustees or employees of any Member (collectively, the "Covered Persons") shall be liable or accountable in damages or otherwise to the Company or to any Member for any error of judgment or any mistake of fact or law or for anything that such Covered Person may do or refrain from doing hereafter, except to the extent caused by any Bad Acts or Prohibited Transfer of such Covered Person or any Affiliate thereof. As used herein, the term "Bad Acts" means (i) gross negligence, fraud or willful misconduct, (ii) any act or omission outside the scope of authority granted under this Agreement resulting in damages or liability to a Covered Person, (iii) any breach of this Agreement, and (iv) any action willingly taken by any Guarantor under any Recourse Document for the Project or Nonrecourse Document for the Project without the prior written consent of both Members, which creates liability under any such Recourse Document or Nonrecourse Document. The term "Prohibited Transfer" means any transfer of a direct or indirect ownership in the Company (including, without limitation, any transfer of a direct or indirect ownership interest in any Member) that results in a Lender declaring a default or breach of or under any of the loan documents evidencing any Loan obtained by the Company. For purposes of this Agreement, the Bad Act or Prohibited Transfer of any Affiliate or employee of any Person will also be deemed to be the Bad Act or Prohibited Transfer of such Person. The foregoing is subject to any applicable cure period provided under this Agreement. For the avoidance of any doubt, in no event will the limitation on liability set forth in this Section 10.02(a) extend to any Losses that may be incurred or that may arise under any Affiliate Agreement, subject to and without

limiting the provisions of any such Affiliate Agreement governing any limitation of liability of any party under such Affiliate Agreement.

(b) Indemnity. To the maximum extent permitted by applicable law as it presently exists or may hereafter be amended, the Company hereby agrees to indemnify, defend (with counsel selected by the Executive Committee), protect and hold harmless, each Covered Person, from and against any and all Losses incurred by such Covered Person by reason of anything which such Covered Person may do or refrain from doing that arises out of or relates to the Company to the extent such Losses are not covered by insurance maintained by or for the benefit of such Covered Person. The foregoing obligation of the Company to indemnify, protect, defend and hold harmless each Covered Person shall extend to any Losses incurred by any Guarantor under any Recourse Document or Nonrecourse Document (or as a result of the rights of contribution described in Section 3.05). Notwithstanding the foregoing terms of this Section 10.02(b), no Covered Person (including any Guarantor) shall be entitled to be indemnified by the Company to the extent any such Losses are incurred by such Covered Person by reason of, or in connection with, any Bad Acts or Prohibited Transfer of such Covered Person. For the avoidance of doubt, in no event will the indemnity obligation of the Company under this Section 10.02(b) extend to any Losses that may be incurred or that may arise under an Affiliate Agreement, subject to and without limiting the provisions of any such Affiliate Agreement governing an indemnity by the Company of such Affiliate.

The Administrative Member may cause the Company to pay any costs and/or expenses incurred by any Covered Person in defending any civil, criminal, administrative or investigative action, suit or proceeding prior to the final disposition of such action, suit or proceeding upon receipt of any undertaking by or on behalf of such Covered Person (or, in the Executive Committee's reasonable discretion, a creditworthy Affiliate thereof) to repay such amount if it shall ultimately be determined that such Covered Person is not entitled to be indemnified by the Company as authorized in this Section 10.02(b). The obligation of the Company to indemnify, defend, protect and hold harmless each Covered Person under any provision of this Agreement shall survive the withdrawal of any Member from the Company and/or the Liquidation of the Company, in each case solely to the extent such obligation of the Company arose prior to such withdrawal or Liquidation.

If a claim for indemnification or payment of expenses under this Section 10.02(b) is not paid in full within thirty (30) calendar days after a written claim therefor by the Covered Person has been received by the Company, then the Covered Person may initiate an action to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Covered Person shall have the burden of proving that the Covered Person was entitled to the requested indemnification or payment of expenses under applicable law.

(c) Reliance upon Information, Opinions, Reports, etc. A Covered Person shall be fully protected in relying in good faith upon the records of the Company, any information received by any Member or the Company with respect to the Project

(financial or otherwise), and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence including, without limitation, information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or cash flow or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

10.03 Limitation on Liability

Notwithstanding anything to the contrary contained in this Agreement (and without limiting any liability a party may have under the Delaware Act or other applicable law to return any distribution received by such party), no direct or indirect member, manager, partner, shareholder, officer, director, trustee or employee in or of any Member (collectively, the "Nonrecourse Parties") shall be personally liable in any manner or to any extent under or in connection with this Agreement, and neither any Member nor the Company shall have any recourse to any assets of any of the Nonrecourse Parties. Neither any Member nor any Nonrecourse Party shall have any liability for any punitive damages, lost profits, special damages or consequential damages based on any claim that arises out of or relates to this Agreement and/or the Company. The limitation on liability provided in this Section 10.03 is in addition to, and not in limitation of, any limitation on liability applicable to any Member or Nonrecourse Party provided by law or by this Agreement or any other contract, agreement or instrument.

10.04 Activities of the Members and Their Affiliates

Subject to the terms of this Agreement, each Member and their respective direct and indirect Affiliates, members, partners, shareholders, directors, managers, officers, employees, agents and trustees shall only be required to devote so much of their time to the business and affairs of the Company as is determined in the reasonable discretion of each such party. Subject to the terms of Section 10.05, neither Member nor any of its direct and indirect Affiliates, members, partners, shareholders, directors, officers, managers, employees, agents or trustees shall be prohibited from engaging in other businesses whether or not similar to the business of the Company and each such party shall be entitled to retain for its own benefit any economic or other rights or benefits derived from any such other business.

10.05 Right of First Offer

If (i) Tejon Industrial Corp. or any Affiliate thereof intends to develop and construct an industrial project on that certain real property located within the Tejon Ranch Commerce Center in the County of Kern, State of California described more fully on Exhibit "J" attached hereto ("Parcel 1A"), (ii) DP is not a Defaulting Member, (iii) one (1) or more of Brett Dedeaux, Justin Dedeaux and Terry Dedeaux, individually or collectively, directly or indirectly, maintain control of Dedeaux Properties, LLC, a California limited liability company (the "Dedeaux Properties"), and (iv) one (1) or more of Brett Dedeaux, Justin Dedeaux and Terry Dedeaux, in the aggregate, directly or indirectly, own more than fifty percent (50%) of Dedeaux Properties, then Tejon shall prior to Tejon Industrial Corp. or any Affiliate thereof proceeding with such development deliver

to Dedeaux Properties (with a copy to DP) (A) a written notice of such intent to develop Parcel 1A (the "Development Notice"), and (B) an investment memorandum describing the proposed development (the "Proposed Development"). The investment memorandum will include (1) a pro forma cash flow analysis, (2) an investment return summary, and (3) a market overview and competitive rent survey. Within forty-five (45) days following the effective date of the Development Notice, Dedeaux Properties will have the right to elect to participate in the Proposed Development on the same terms and conditions that are set forth in this Agreement (subject to the Members agreeing upon the agreed value of Parcel 1A) by delivering written notice of such election to Tejon provided all of the requirements set forth in clauses (ii), (iii) and (iv) above are satisfied on the date such election is made. If Dedeaux Properties fails to timely deliver such notice or if Tejon and Dedeaux Properties fail to reach an agreement, for any reason or for no reason, with respect to the terms of such participation within forty-five (45) days following the effective date of the Development Notice, then Tejon Industrial Corp. (or its designee) will have the right to proceed with the development of Parcel 1A with or without a third party developer on such terms and conditions as are determined by Tejon in its sole and absolute discretion. The right of Dedeaux Properties to participate in any Proposed Development under this Section 10.05 will automatically terminate if either DP or Tejon withdraw as a member of the Company prior to the sale or disposition of the Project.

10.06 Fiduciary Duties

The fiduciary duties otherwise owed by the Members to each other under the Delaware Act or otherwise are limited as follows:

(a) Other Activities. Except as otherwise provided by this Agreement, to the maximum extent allowed by law, neither Member shall have any obligations (fiduciary or otherwise) with respect to the Company or to the other Member insofar as making other investment opportunities available to the Company or to the other Member. Except as otherwise provided in this Agreement, each Member may engage in whatever activities such Member may choose, whether the same are competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company or to the other Member. Except as otherwise provided in this Agreement, neither this Agreement nor any activities undertaken pursuant hereto shall prevent either Member from engaging in such activities, and to the maximum extent allowed by law, the fiduciary duties of the Members to each other and to the Company shall be limited solely to those arising from the business of the Company.

EACH MEMBER AGREES THAT THE MODIFICATION AND WAIVER OF THE FIDUCIARY DUTIES OF EACH MEMBER PURSUANT TO THIS ARTICLE X ARE FAIR AND REASONABLE AND HAVE BEEN UNDERTAKEN WITH THE INFORMED CONSENT OF EACH MEMBER. TO THE MAXIMUM EXTENT ALLOWED BY LAW, EACH MEMBER AGREES AND COVENANTS NOT TO CONTEST THE VALIDITY OF THE PROVISIONS OF THIS SECTION IN ANY COURT OF LAW (AND/OR IN ANY OTHER PROCEEDING).

(b) Good Faith and Fair Dealing. Except as otherwise provided by this Agreement, each Member intends to limit the standard of care, degree of loyalty and

fiduciary duties to the maximum extent allowed by law; provided, however, the foregoing shall not eliminate the implied contractual covenant of good faith and fair dealing. Without limiting the generality of the foregoing, each Member may exercise any of its rights and remedies under this Agreement without regard to any fiduciary duties that are owed to the Company or the other Member including, without limitation, the remedies set forth in Section 3.03 and Articles VII and VIII.

10.07 Non-Exclusivity of Rights

Except as otherwise provided in this Agreement, the rights conferred on any Person by this Article X shall not be exclusive of any other rights which such Person may have or hereafter acquire under any applicable law.

10.08 Amendment or Repeal

Any repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection hereunder of any Person in respect of any act or omission occurring prior to the time of such repeal or modification.

10.09 Insurance

The Company may purchase and maintain insurance, to the extent and in such amounts as are determined by the Executive Committee on behalf of the Covered Persons and such other Persons as the Executive Committee shall determine in its reasonable discretion, against any liability or claim that may be asserted against or expenses that may be incurred by any such Person in connection with the activities of the Company or such indemnities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement. The Company may enter into indemnity contracts with Covered Persons and such other Persons as the Executive Committee shall determine and adopt written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under Section 10.02(b) hereof and containing such other procedures regarding indemnifications as are appropriate.

ARTICLE XI
BOOKS AND RECORDS

11.01 Books of Account and Bank Accounts

The taxable year of the Company shall be the year ending December 31. Tejon shall maintain accurate and complete books of account and records showing the assets and liabilities, operations, transactions and financial condition of the Company on an accrual basis in accordance with Generally Accepted Accounting Principles, consistently applied. Tejon shall also provide to the other Member within fifteen (15) days after the end of each calendar month (i) an unaudited monthly net cash flow statement setting forth the calculation of net cash flow and all disbursements of cash by the Company, and (ii) an unaudited statement of continuing operations for the Company, including a balance sheet for the Company, as of the end of the month, and a profit and loss statement for the month. Promptly after written request by the other Member, Tejon shall deliver such other information as is reasonably requested by the other

Member. Tejon shall also provide on an annual basis within thirty (30) calendar days after each calendar year annual unaudited statements of the operations of the Company including (A) statement of net assets (balance sheet); (B) statement of operations; (C) statement of cash flows; and (D) statement of changes in Members' capital. The annual financial reports shall be delivered together with a written statement by Tejon that includes a representation by Tejon that such financial statements have been prepared in accordance Generally Accepted Accounting Principles, consistently applied.

Upon not less than seventy-two (72) hours prior notice, Tejon shall cooperate with the other Member, at the Company's sole cost and expense, to conduct an independent inspection and review of the books and records of the Company. The other Member shall have the authority to authorize the preparation of audited financial statements for the Company at the expense of the requesting party. The failure by Tejon to deliver or otherwise cooperate timely with any item to be delivered or request made in accordance with the requirements of this Section 11.01 shall be considered a material breach of Tejon's obligations under this Agreement (provided the foregoing shall not limit any cure rights the other Member may have with respect to such breach under Section 2.17(c)(i) or 7.01(a) above).

During normal business hours at the principal office of the Company, on not less than forty-eight (48) hours prior notice, all of the following shall be made available for inspection and copying by each Member at its own expense: (i) all books and records relating to the business and financial condition of the Company, (ii) a current list of the name and last known business, residence or mailing address of each Member, (iii) a copy of this Agreement, the Certificate of Formation for the Company and all amendments thereto, together with executed copies of any written powers-of-attorney pursuant to which this Agreement, the Certificate of Formation and/or any amendments thereto have been executed, (iv) the amount of cash and a description and statement of the agreed value of any other property or services contributed by each Member to the capital of the Company and which each Member has agreed to contribute in the future, and (v) the date upon which each Member became a member of the Company.

11.02 Tax Returns

Tejon shall cause to be prepared and timely filed and distributed to each Member, at the expense of the Company (and prepared by an accounting firm approved by the Executive Committee), all required federal and state tax returns for the Company which shall be delivered to the Members by no later than March 31 each year. The failure by Tejon to deliver timely any tax return in accordance with the requirements of this Section 11.02 shall be considered a material breach of Tejon's obligations under this Agreement if (i) such failure is not caused by the other Member's delay in delivering any information reasonably and timely requested in writing by Tejon, and (ii) such failure is not caused by the accounting firm's failure to prepare such tax returns within the estimated timeframe provided by the accounting firm or any failure by the Executive Committee to agree on any accounting treatment or election (provided the foregoing shall not limit any cure rights Tejon may have with respect to such breach under Section 2.17(c)(i) or 7.01(a) above).

Tejon is hereby designated as the "partnership representative" of the Company within the meaning of Section 6223(a) of the Code, as amended by Title XI of the Bipartisan Budget Act of

2015. Tejon is specifically directed and authorized to (x) to take whatever steps may be necessary or desirable to perfect its designation as "partnership representative," including filing any forms or documents with the IRS, and (y) to take such other action as may from time to time be required under the Code and the Regulations. The "partnership representative" of the Company shall be entitled to be reimbursed by the Company for all reasonable third-party out-of-pocket costs and expenses incurred in connection with any tax proceeding relating to the Company. Notwithstanding the foregoing, the "partnership representative" of the Company shall (i) provide the Members with prompt notice and copies of all communications with the IRS, (ii) reasonably consult with the Members regarding the resolution of any disputes with the IRS, and (iii) not settle any such dispute, extend the statute of limitations with respect to such dispute, or take any other material action that would bind the Company or the Members in connection with any material matter, unless such decision is approved as a Major Decision. As the "partnership representative" of the Company, Tejon will have the right to make an election to treat any "partnership adjustment" as an adjustment to be taken into account by each Member (and former member) in accordance with Section 6226 of the Code.

ARTICLE XII
DISSOLUTION AND WINDING UP OF THE COMPANY

12.01 Events Causing Dissolution of the Company

Upon any Member's bankruptcy, resignation, withdrawal, expulsion or other cessation to serve or the admission of a new member into the Company, the Company shall not dissolve but the business of the Company shall continue without interruption or break in continuity. However, the Company shall be dissolved and its affairs wound up upon the first to occur of any of the following events:

(a) Failure to Deliver Initial Annual Business Plan. The election of Tejon to dissolve the Company if DP does not deliver the annual business plan for the first Business Plan Period for any reason to the Executive Committee pursuant to Section 2.07 within ninety (90) days following the Effective Date of this Agreement (provided such election is made prior to the date (if any) that the Executive Committee approves the initial annual business plan for the Company);

(b) Failure to Approve Initial Business Plan. The election of either Member to dissolve the Company if the Executive Committee for any reason does not approve the annual business plan for the first Business Plan Period in its sole and absolute discretion within ten (10) Business Days following the submission of such plan to the Executive Committee pursuant to Section 2.07 (provided such election is made prior to the date (if any) that the Executive Committee approves the initial annual business plan for the Company);

(c) Failure to Timely Close Construction Loan. The election of either Member to dissolve the Company if the Company and the Construction Loan Lender do not execute and deliver the Construction Loan Documents on or prior to the Construction Loan Deadline (provided such election is made prior to the date (if any) that the

Company and the Construction Loan Lender execute and deliver the Construction Loan Documents);

(d) Contribution Agreement Default. The election of DP Member to dissolve the Company if Tejon Industrial Corp. breaches its obligation to contribute the Property to the Company under the Contribution Agreement.

(e) Sale of Assets. The sale, transfer or other disposition by the Company of all or substantially all of its assets and the collection by the Company of all consideration received in such transaction (including, without limitation, the collection of any promissory note received by the Company);

(f) Election of Members. The affirmative election of the Executive Committee to dissolve the Company; or

(g) Decree of Dissolution. The entry of a decree of judicial dissolution pursuant to Section 18-802 of the Delaware Act.

Except as provided above in this Section 12.01, neither Member shall have the right to, and each Member hereby waives to the maximum extent allowed by law the right to, unilaterally seek to dissolve or cause the dissolution of the Company or to unilaterally seek to cause a partial or whole distribution or sale of Company assets whether by court action or otherwise, it being agreed that any actual or attempted dissolution, distribution or sale would cause a substantial hardship to the Company and the other Member.

12.02 Winding Up of the Company

Upon the Liquidation of the Company, the Administrative Member shall proceed to the winding up of the business and affairs of the Company. During such winding up process, the Net Profits, Net Losses and Cash Flow distributions shall continue to be shared by the Members in accordance with this Agreement. Subject to Section 12.03, the assets shall be liquidated as promptly as consistent with obtaining a fair value therefor, and the proceeds therefrom, to the extent available, shall be applied and distributed by the Company on or before the end of the taxable year of such Liquidation or, if later, within ninety (90) days after such Liquidation, in the following order:

(a) Creditors. First, to creditors of the Company (including Members who are creditors) in the order of priority as provided by law;

(b) Reserves. Second, to establishing any reserves which the Administrative Member reasonably determines are necessary for any contingent, conditional or unmatured liabilities or obligations of the Company; and

(c) Remaining Amounts. Thereafter, to the Members in the order of priority set forth in Section 5.01.

Any reserves withheld pursuant to Section 12.02(b) shall be distributed as soon as practicable, as determined in the reasonable discretion of the Administrative Member, in the order of priority set forth in Section 12.02(c).

The Members believe and intend that the effect of making any and all liquidating distributions in accordance with the provisions of Section 12.02(c) shall result in such liquidating distributions being made to the Members in proportion to the positive balances standing in their respective Capital Accounts. If this is not the result, then the Administrative Member, upon the advice of tax counsel to the Company, is hereby authorized to make such amendments to the provisions of Article IV that are reasonably approved by the Executive Committee as may be necessary to cause such allocations to be in compliance with Code Section 704(b) and the Treasury Regulations promulgated thereunder.

12.03 Distribution of Assets Upon Early Dissolution Event

Following the effective date of any notice delivered to dissolve the Company pursuant to Section 12.01(a), Section 12.01(b), Section 12.01(c) or Section 12.01(d), (i) Tejon Industrial Corp. shall not have any duty or obligation to convey (and Tejon shall have no obligation to cause Tejon Industrial Corp. to convey) the Property (or any portion thereof) or any rights related thereto to the Company, (ii) neither the Company nor DP shall have any rights to participate in, or otherwise realize any economic benefit from, the Property (or any rights related thereto); (iii) the Company shall transfer, convey and assign to Tejon, for no consideration on an "AS-IS" basis without any representation or warranty whatsoever from the Company, DP and/or any Affiliate thereof at an agreed upon value of zero (0), any and all studies, surveys, plans, engineering and all other materials and rights owned by the Company that in any way relate to or benefit the Property (collectively, the "Property Materials & Rights"), and (iv) Tejon shall contribute an amount equal to the balance standing in DP's Unreturned Contribution Account after the Company has made all other distributions required under Section 12.02 if, and only if, (A) DP's Representatives have delivered the annual business plan for the first Business Plan Period to the Executive Committee pursuant to Section 2.07 within ninety (90) days following the Effective Date of this Agreement, and (B) Tejon's Representatives have elected for the Company not to proceed with the development and construction of the Project following the delivery of such business plan. Any funds contributed by Tejon to the Company pursuant to clause (iv) shall be promptly distributed by the Company to DP.

12.04 Negative Capital Account Restoration

No Member shall have any obligation whatsoever upon the Liquidation of such Member's Interest, the Liquidation of the Company or in any other event, to contribute all or any portion of any negative balance standing in such Member's Capital Account to the Company, to the other Member or to any other Person.

ARTICLE XIII
MISCELLANEOUS

13.01 Amendments

This Agreement may be amended and/or modified only with the written approval of both Members.

13.02 Waiver of Conflict Interest

EACH MEMBER HEREBY ACKNOWLEDGES AND AGREES THAT, IN CONNECTION WITH THE DRAFTING, PREPARATION AND NEGOTIATION OF THIS AGREEMENT AND THE CONTRIBUTION AGREEMENT, THE FORMATION OF THE COMPANY AND ALL OTHER MATTERS RELATED THERETO, (I) ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP HAS ONLY REPRESENTED THE INTERESTS OF TEJON, AND NOT THE INTERESTS OF DP, THE COMPANY OR ANY OTHER PARTY, AND (II) COZEN O'CONNOR HAS ONLY REPRESENTED THE INTERESTS OF DP AND NOT THE INTERESTS OF TEJON, THE COMPANY OR ANY OTHER PARTY. THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR ANY MEMBER MAY ALSO PERFORM SERVICES FOR THE COMPANY. TO THE EXTENT THAT THE FOREGOING REPRESENTATION CONSTITUTES A CONFLICT OF INTEREST, THE COMPANY AND EACH MEMBER HEREBY EXPRESSLY WAIVES ANY SUCH CONFLICT OF INTEREST. EACH MEMBER FURTHER ACKNOWLEDGES THAT THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR THE COMPANY SHALL NOT BE DEEMED BY VIRTUE OF SUCH REPRESENTATION TO HAVE ALSO REPRESENTED ANY OTHER PARTY IN CONNECTION WITH ANY SUCH MATTERS.

13.03 Partnership Intended Solely for Tax Purposes

The Members have formed the Company as a Delaware limited liability company under the Delaware Act, and do not intend to form a corporation or a general or limited partnership under Delaware or California law (or any other state law). The Members intend the Company to be classified and treated as a partnership solely for federal and state income taxation purposes. Each Member agrees to act consistently with the foregoing provisions of this Section 13.03 for all purposes, including, without limitation, for purposes of reporting the transactions contemplated herein to the Internal Revenue Service and all state and local taxing authorities.

13.04 Notices

All notices or other communications required or permitted hereunder shall be in writing, and shall be delivered or sent, as the case may be, by any of the following methods: (i) personal delivery, (ii) overnight commercial carrier, (iii) registered or certified mail, postage prepaid, return receipt requested, or (iv) facsimile or email. Any such notice or other communication shall be deemed received and effective upon the earlier of (A) if personally delivered, the date of delivery to the address of the Person to receive such notice; (B) if delivered by overnight commercial carrier, one (1) day following the receipt of such communication by such carrier from the sender, as shown on the sender's delivery invoice from such carrier; (C) if

mailed, on the date of delivery as shown by the sender's registry or certification receipt; or (D) if given by facsimile or email, when sent if received by the intended recipient of such facsimile or email prior to 5:00 p.m. on a Business Day or on the next Business Day if not received by the recipient of such facsimile prior to 5:00 p.m. on a Business Day. Any notice or other communication sent by facsimile or email must be confirmed within two (2) Business Days by letter mailed or delivered in accordance with the foregoing to be effective. Any reference herein to the date of receipt, delivery, or giving or effective date, as the case may be, of any notice or communication shall refer to the date such communication becomes effective under the terms of this Section 13.04. Any such notice or other communication so delivered shall be addressed to the party to be served at the address for such party set forth in Section 1.02. The address for either Member may be changed by giving written notice to the other Member in the manner set forth in this Section 13.04. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice or other communication sent.

13.05 Construction of Agreement

The Article and Section headings of this Agreement are used herein for reference purposes only and shall not govern, limit, or be used in construing this Agreement or any provision hereof. Each of the Exhibits attached hereto is incorporated herein by reference and expressly made a part of this Agreement for all purposes. References to any Exhibit made in this Agreement shall be deemed to include this reference and incorporation. Where the context so requires, the use of the neuter gender shall include the masculine and feminine genders, the masculine gender shall include the feminine and neuter genders, the feminine gender shall include the masculine and neuter genders, and the singular number shall include the plural and vice versa. Each Member acknowledges that (i) each Member is of equal bargaining strength; (ii) each Member has actively participated in the drafting, preparation and negotiation of this Agreement; and (iii) any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement, any portion hereof, or any Exhibits attached hereto.

13.06 Counterparts

This Agreement may be executed and delivered in multiple counterparts including by facsimile or .pdf file, each of which shall be deemed an original Agreement, but all of which, taken together, shall constitute one (1) and the same Agreement, binding on the parties hereto. The signature of any party hereto to any counterpart hereof shall be deemed a signature to, and may be appended to, any other counterpart hereof.

13.07 Attorneys' Fees

If any lawsuit, arbitration, mediation or other proceeding is commenced by any Member against any other Member that arises out of, or relates to, this Agreement, then the prevailing Member in such action shall be entitled to recover reasonable attorneys' fees and costs. Any judgment or order entered in any such action shall contain a specific provision providing for the recovery of all costs and expenses of suit including, without limitation, reasonable attorneys' and expert witness fees, costs and expenses incurred in connection with (i) enforcing, perfecting and

executing such judgment; (ii) post-judgment motions; (iii) contempt proceedings; (iv) garnishment, levy, and debtor and third-party examinations; (v) discovery; and (vi) bankruptcy litigation.

13.08 Approval Standard

The consent, approval or determination of any Member or Representative required or permitted under this Agreement may be withheld in such party's sole and absolute discretion, unless this Agreement provides that such consent or approval shall not be unreasonably withheld (or another standard is specifically provided for in this Agreement for such matter).

13.09 Further Acts

Each Member covenants, on behalf of such Member and such Member's successors and assigns, to execute, with acknowledgment, verification, or affidavit, if required, any and all documents and writings, and to perform any and all other acts, that may be reasonably necessary or desirable to implement, accomplish, and/or consummate the formation of the Company, the achievement of the Company's purposes, and any other matter contemplated under this Agreement.

13.10 Preservation of Intent

If any provision of this Agreement is determined by any court having jurisdiction to be illegal or in conflict with any laws of any state or jurisdiction, then the Members agree that such provision shall be modified to the extent legally possible so that the intent of this Agreement may be legally carried out. If any of the provisions contained in this Agreement, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect or for any reason, then the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions of this Agreement shall not be in any way impaired or affected, it being intended that the Members' rights and privileges described in this Agreement shall be enforceable to the fullest extent permitted by law.

13.11 Waiver

No consent or waiver, express or implied, by a party to or of any breach or default by any other party in the performance by such other party of such other party's obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party hereunder. Failure on the part of a party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such non-complaining or non-declaring party of the latter's rights hereunder.

13.12 Entire Agreement

This Agreement, together with the Contribution Agreement, contains the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any and all prior or other contemporaneous understanding, correspondence, negotiations or agreements between them respecting the subject matter hereof.

13.13 Choice of Law

Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly acknowledge and agree that all of the terms and provisions of this Agreement shall be construed under the laws of the State of Delaware (without giving effect to the conflicts of laws and principles thereof). In furtherance of the foregoing, and pursuant to Section 17708.01(a) of the California Act, all rights, duties, obligations and remedies of the Members shall be governed by the Delaware Act (without giving effect to the conflicts of laws and principals thereof).

13.14 No Third-Party Beneficiaries

Except as otherwise set forth in Section 3.05 and Article X, the provisions of this Agreement are not intended to be for the benefit of, or enforceable by, any third party and shall not give rise to a right on the part of any third party (i) to enforce or demand enforcement of a Member's obligation to contribute capital, obligation to return distributions, or obligation to make other payments to the Company as set forth in this Agreement, or (ii) to demand that the Company, the Administrative Member or the other Member obtain financing or issue any capital call.

13.15 Successors and Assigns

Subject to the restrictions set forth in Article VI and Section 9.04, this Agreement shall inure to the benefit of and shall bind the parties hereto and their respective personal representatives, successors, and assigns.

13.16 No Usury

Notwithstanding any other provision in this Agreement, the rate of interest charged by the Company or by any Member (and/or any Affiliate thereof) in connection with any obligation under this Agreement shall not exceed the maximum rate permitted by applicable law. To the extent that any interest charged by the Company or by any Member (and/or Affiliate thereof) shall have been finally adjudicated to exceed the maximum amount permitted by applicable law, such interest shall be retroactively deemed to have been a required repayment of principal (and any such amount paid in excess of the outstanding principal amount shall be promptly returned to the payor). In furtherance of the foregoing, the Members acknowledge and agree that pursuant to the Delaware Act, no obligation of a Member to the Company shall be subject to the defense of usury, and no Member shall impose the defense of usury with respect to any such obligation in any action.

13.17 Venue

If any litigation, claim or lawsuit directly or indirectly arising out of this Agreement is not required to be resolved in accordance with the JAMS procedures provided for under Section 13.18, then each Member hereby irrevocably consents to the maximum extent allowed by law to the exclusive jurisdiction of the state and federal courts located in California and to the exclusive venue of (i) the Eastern District of California for any federal action or proceeding arising out of, or relating to, this Agreement, and (ii) the Superior Court of California located in

Kern County, California for any state action or proceeding arising out of, or relating to, this Agreement.

13.18 Dispute Resolution

Any action to resolve any controversy or claim arising out of, or related to in any way to, this Agreement (exclusive of any impasse on any Major Decision) or the Contribution Agreement, including, without limitation, any alleged breach of this Agreement or the Contribution Agreement and any claim based upon any tort theory, however characterized shall be resolved through a binding arbitration before an arbitrator in accordance with the terms of this Section 13.18.

(a) Binding Arbitration. Any Member desiring to bring any action under this Agreement or the Contribution Agreement shall give written notice to the other Member (the "Arbitration Notice"), which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by Section and title, if applicable, of the provisions of this Agreement or the Contribution Agreement pertaining to the dispute. This arbitration provision and its validity, construction, and performance shall be governed by the Federal Arbitration Act (the "FAA") and cases decided thereunder and, to the extent relevant, the laws of the State of California. Further, the terms and procedures governing the enforcement of this Section 13.18 shall be governed by and construed and enforced in accordance with the FAA, and not individual state laws regarding enforcement of arbitration agreements.

(b) Selection of Arbitrator. The Members shall endeavor to agree, within thirty (30) days of the Arbitration Notice, upon a mutually acceptable arbitrator to resolve the dispute. The arbitrator shall be a single former judge of the Superior Court or the Court of Appeal of the State of California or a member in good standing with the California State Bar currently employed by or associated with the office of JAMS/ENDISPUTE ("JAMS") located in Los Angeles, California. The arbitrator shall have no direct or indirect social, political or business relationship of any sort with either of the Members, their respective legal counsel or any other Person materially involved with the Project. If the Members cannot agree upon the arbitrator within such thirty (30)-day period, then JAMS, in its sole discretion, shall provide a list of three (3) arbitrators with the qualifications set forth above. Within ten (10) days of JAMS providing the above-described list, each Member shall be entitled to strike one (1) name from the list and so notify JAMS. JAMS, in its sole discretion, thereafter shall select as arbitrator any one (1) of the persons remaining on the list, and the person so selected shall thereafter serve as arbitrator. If for any reason JAMS is unable or unwilling to make such an appointment, then any Member may apply to the Superior Court of the State of California in and for the County of Los Angeles for appointment of any former judge of the Superior Court or the Court of Appeal of the State of California to serve as arbitrator. The appointment of an arbitrator, whether by JAMS or by the Superior Court pursuant to the foregoing, shall be made, and the arbitrator shall serve, without further objection from any Member, except on the ground of conflict of interest, if any, pursuant to the same rules that would apply if the arbitrator was serving as an active member of the Superior Court or Court of Appeal.

(c) Location of Proceeding. The proceeding shall take place at a City of Los Angeles office of JAMS and shall be conducted pursuant to the provisions of JAMS Comprehensive Arbitration Rules & Procedures in effect on the date of the Arbitration Notice (the "Rules"); provided that in all events the rules of evidence in such proceeding shall be governed by the California Evidence Code. Discovery between the parties prior to the arbitration hearing shall be limited to the mutual exchange of relevant documents. Interrogatories and request for admissions shall not be allowed under any circumstance. Depositions of witnesses shall not be permitted, unless it is shown that the witness will be otherwise unavailable and it is necessary to preserve his or her testimony for the hearing. The arbitrator shall have the authority set forth in Section 1282.6 of the California Code of Civil Procedure to issue subpoenas requiring the attendance at the hearing of witnesses, and to issue subpoenas duces tecum for the production at the hearing of books, records, documents and other evidence.

(d) Resolution of Dispute. Except as otherwise provided in Section 13.18(c), the arbitrator shall apply Delaware law in resolving the dispute. In resolving the dispute, the arbitrator shall apply the pertinent provisions of this Agreement without departure therefrom in any respect, and the arbitrator shall not have the power to change any of the provisions of the Agreement. The arbitrator shall try all of the issues including, without limitation, any issues that may be raised concerning whether the dispute is subject to the provisions of this Section 13.18 and any and all other issues, whether of fact or of law, and shall hear and decide all motions and matters of any kind. The arbitrator shall not be required to prepare a written statement of decision as to any interlocutory decision, but at the conclusion of the arbitration shall prepare a written statement of decision thereon which shall be final and binding upon the parties, and upon which judgment may be entered in accordance with applicable law in any court having jurisdiction thereof. Any interlocutory decisions by the arbitrator likewise shall be final and binding, except that the arbitrator shall have the power to reconsider such decisions for good cause shown. The Members shall not have the right to appeal the arbitration award consistent with the JAMS Optional Arbitration Appeal Procedure in effect at the time or any similar successor rules. Subject to the limitations in this Section 13.18, the arbitrator shall have the authority to grant any equitable and legal remedies that would be available in a judicial proceeding. The arbitrator may award interim and final injunctive relief and other remedies, but may not award punitive, exemplary, treble or other enhanced damages. The arbitrator shall have no power or authority to issue any award or determination that would amend or modify this Agreement. Notwithstanding the foregoing, a party shall be permitted to seek a temporary restraining order or injunctive relief in a court of competent jurisdiction with regard to any controversy, dispute or claim between them relating to or arising out of this Agreement, a breach of this Agreement or the termination of the Administrative Member, where such relief is appropriate; provided that other relief shall be pursued through an arbitration proceeding pursuant to this Section 13.18. Each Member shall use reasonable efforts to expedite the arbitration process, and each Member shall have the right to be represented by counsel.

(e) Award of Fees. Subject to the obligation of the arbitrator to award such fees and expenses to the prevailing party as provided in Section 13.07, until the arbitrator issues his or her final statement of decision, each Member shall pay the fees

and expenses of its attorneys and experts in connection with the adjudication and one-half of the fees and expenses of the arbitrator; provided, however, that the arbitrator shall have the same power as a judge pursuant to the California Code of Civil Procedure to award sanctions with reference to interlocutory matters. Subject to Section 13.07, the Member shall bear an equal (pro rata) share of any arbitration costs, including any administrative or hearing fees charged by the arbitrator or JAMS.

(f) Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MEMBER HEREBY WAIVES EACH SUCH MEMBER'S RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) BASED UPON OR ARISING OUT OF OR RELATED TO THE COMPANY, THIS AGREEMENT, THE CONTRIBUTION AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY MEMBER AGAINST THE OTHER MEMBER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH MEMBER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY AN ARBITRATOR AS PROVIDED ABOVE BUT THIS WAIVER SHALL BE EFFECTIVE EVEN IF, FOR ANY REASON WHATSOEVER, SUCH CLAIM OR CAUSE OF ACTION CANNOT BE TRIED BY SUCH ARBITRATOR. WITHOUT LIMITING THE FOREGOING, EACH MEMBER FURTHER AGREES THAT EACH SUCH MEMBER'S RIGHT TO A TRIAL BY JURY IS WAIVED TO THE MAXIMUM EXTENT ALLOWED BY LAW BY OPERATION OF THE FOREGOING AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE CONTRIBUTION AGREEMENT OR ANY PROVISION OF EITHER SUCH AGREEMENT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS AGREEMENT AND/OR THE CONTRIBUTION AGREEMENT.

_____	_____
INITIALS OF TEJON	INITIALS OF DP

(g) Survivability. The provisions of this Section 13.18 shall survive the withdrawal of any Member from the Company and the dissolution and liquidation of the Company.

13.19 Timing

All dates and times specified in this Agreement are of the essence and shall be strictly enforced.

13.20 Remedies for Breach of this Agreement

Except as otherwise specifically provided in this Agreement, the remedies set forth in this Agreement are cumulative and shall not exclude any other remedies to which a Person may be lawfully entitled.

13.21 Survivability of Representations and Warranties

All representations, warranties and covenants contained in this Agreement including, without limitation, the indemnities contained in Sections 7.10, 8.09, 9.03, 9.05 and 10.02(b) shall survive the execution of this Agreement, the formation of the Company, the withdrawal of any Member and the Liquidation of the Company.

13.22 Reasonableness of Rights and Remedies

THE RIGHTS AND REMEDIES SET FORTH IN THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, SECTION 3.03 AND ARTICLES VI AND VII) ARE A MATERIAL INDUCEMENT FOR EACH MEMBER TO ENTER INTO THIS AGREEMENT, AND THE MEMBERS WOULD NOT HAVE AGREED TO ENTER INTO THIS AGREEMENT BUT FOR THE AGREEMENT OF EACH MEMBER TO BE BOUND BY SUCH REMEDIES. EACH MEMBER ACKNOWLEDGES AND AGREES THAT THE FOREGOING REMEDIES ARE FAIR AND REASONABLE AND HAVE BEEN ENTERED INTO WITH THE INFORMED CONSENT OF EACH MEMBER. EACH MEMBER FURTHER ACKNOWLEDGES AND AGREES THAT IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH THE COMPANY AND THE NON-DEFAULTING MEMBER MAY SUFFER IN CONNECTION WITH THE OCCURRENCE OF ANY OF THE DEFAULTS DESCRIBED ABOVE. THEREFORE, EACH MEMBER AGREES THAT THE REMEDIES SET FORTH ABOVE REASONABLY AND FAIRLY REFLECT THE DETRIMENT THAT THE COMPANY AND THE NON-DEFAULTING MEMBER WOULD SUFFER IN SUCH EVENT AND, IN LIGHT OF THE DIFFICULTY IN DETERMINING ACTUAL DAMAGES, REPRESENT A PRIOR AGREEMENT AMONG THE MEMBERS AS TO APPROPRIATE LIQUIDATED DAMAGES. EACH MEMBER ALSO AGREES THAT THE REMEDIES SET FORTH ABOVE ARE NOT INTENDED AS A FORFEITURE OR PENALTY UNDER DELAWARE OR ANY OTHER APPLICABLE STATE LAW. EACH MEMBER FURTHER COVENANTS NOT TO CONTEST THE VALIDITY OF THE REMEDIES SET FORTH ABOVE AS A PENALTY, FORFEITURE OR OTHERWISE IN ANY COURT OF LAW (AND/OR IN ANY ARBITRATION OR MEDIATION).

13.23 Force Majeure

The time period for each Member to perform any obligation under this Agreement shall be extended for the time period such Member (the "Obligated Member") is unable to perform such obligation as a result of any Force Majeure Delay. The term "Force Majeure Delay" means any delay as a result of war, national emergency, strikes (other than strikes or labor disturbances limited in scope to primarily the employees of the Obligated Member or any Affiliate thereof), riot or civil unrest, utility failure, acts of God (excluding inclement weather) or

other events totally outside the control of the Obligated Member or any Affiliate thereof, including, without limitation, another "wave" of the COVID-19 pandemic which results in a general shut-down of the processing of building permits or other approvals by Kern County or any other governmental entity having jurisdiction over the Project. Notwithstanding the foregoing, no Force Majeure Delay shall be deemed to exist as a result of (i) the Obligated Member's lack of funds (other than a temporary lack of funds resulting from any event totally outside the control of the Obligated Member described in the preceding sentence), or (ii) any delay solely caused by any act or omission of the Obligated Member or any Affiliate thereof, and in any event, the length of any Force Majeure Delay shall be reduced by (A) the time period that elapses after the tenth Business Day following the initial cause of the delay through the date the Obligated Member notifies the other Member in writing of the delay and the reason for the delay (if the Obligated Member has previously failed to provide such notice to the other Member on or before the tenth Business Day following the initial cause of the delay), or (B) the length of any delay caused by the Obligated Member's failure to promptly exercise and continue to exercise reasonable commercial efforts to remove or overcome such delay. All other delays from acts or events are explicitly excluded from Force Majeure Delays and shall not extend the time period for any Member to perform any of its obligations under this Agreement.

13.24 Corporate Transparency Act

(a) Corporate Transparency Act Compliance. Subject to the following sentence, the Administrative Member will be responsible for causing the Company to comply with its obligations under the Corporate Transparency Act 31 U.S.C. § 5336, and the regulations promulgated thereunder, in each case as amended, supplemented or replaced from time to time (collectively, the "CTA"). Notwithstanding the forgoing, the Administrative Member shall not be liable for failing to cause the Company to comply with the CTA to the extent such failure results from the breach by the other Member of any of its duties or obligations under this Section 13.24.

(b) Reporting Officer. The Administrative Member is hereby designated as a "CTA Reporting Officer" (as defined in the CTA) with respect to the Company's duties under the CTA.

(c) Company Applicant. The CTA Reporting Officer will collect CTA Data and Substantial Control Data (as such terms are provided below) from each individual who is a "company applicant" with respect to the Company, as such term is defined in the CTA Regulations.

(d) Ownership Reporting. Each Member that the CTA Reporting Officer has reason to believe is a "beneficial owner" under the CTA, along with each Member with respect to which the CTA Reporting Officer has reason to believe any other person may be a "beneficial owner" of the Company, shall, within fifteen (15) days after notice from the CTA Reporting Officer, provide the Company with the information that the Company may be required to provide under the CTA, including, without limitation, the name(s), birthdate(s), address(es) and identification document(s) that are acceptable for purposes of complying with the CTA ("CTA Data").

Similarly, with respect to any person who may, directly or indirectly, constitute a "beneficial owner" by virtue of their ownership, control, beneficiary status, or other position with

respect to a Member, including, without limitation, to trusts, such Member shall provide or cause to be provided CTA Data within fifteen (15) days after receiving written notice from the CTA Reporting Officer, including, without limitation, information regarding such Member's ownership and governance structure, including direct and indirect ownership and governance, as well as information regarding other persons exercising direct or indirect control of such Member. For the avoidance of doubt, this includes, with respect to trusts, the CTA Data of any trustee or any other person with the authority to dispose of trust assets, any beneficiary, if the beneficiary is the sole permissible recipient of income and principal from the trust or has the right to demand a distribution or withdrawal of substantially all trust assets, and any grantor or settlor of the trust if the grantor or settlor has the right to revoke the trust or otherwise withdraw assets of the trust.

The Company may accept "FinCEN identifiers" from Members in lieu of such information to the extent the CTA Reporting Officer determines in its reasonable discretion that a FinCEN identifier is sufficient to comply with the CTA.

Each Member shall notify the Company of any change in the information previously provided to the Company within fifteen (15) days of such change. Each Member who is not an individual further agrees to, within fifteen (15) days after notice from the Company, provide the Company all information and answer all questions reasonably determined by the CTA Reporting Officer to be necessary or advisable for the Company to determine its beneficial owners under the CTA.

In addition to any other limitations on the transfer of financial rights, governance rights or membership interests, no such transfer shall be valid until the transferee has provided the CTA Reporting Officer the CTA Data concerning such person.

(e) Substantial Control Data. Each Member will also provide to the CTA Reporting Officer any information or documents that may be required to reasonably determine whether such Member or any other person by virtue of the person's direct or indirect ownership, influence, authority, control, or otherwise with respect to such Member has "substantial control" over the Company including, without limitation, by (i) serving as a senior officer of the Company, (ii) having authority over the appointment or removal of any senior officer or the Administrative Member of the Company, (iii) having any direction, determination, or decision power over, or substantial influence over, important matters affecting the Company, including, without limitation, (1) the nature, scope, and attributes of the business of the Company, including the sale, lease, mortgage, or other transfer of any principal assets of the Company; (2) the reorganization, dissolution, or merger of the Company; (3) major expenditures or investments, issuances of any equity, incurrence of any significant debt or approval of the operating budget of the Company; (4) the selection or termination of business lines or ventures, or geographic focus, of the Company; (5) compensation schemes and incentive programs for senior officers of the Company; (6) the entry into or termination, or the fulfillment or non-fulfillment of significant contracts of the Company; and (7) amendments of any substantial governance documents of the Company, including the articles of organization or similar formation documents, bylaws and significant policies or procedures of the Company; and (iv) any other form of substantial control over the Company. Information and documents provided by the Member for purposes of this subsection (e) is hereinafter referred to a "Substantial Control Data."

Each Member will promptly notify in writing the CTA Reporting Officer of any change in Substantial Control Data previously provided by such Member to the CTA Reporting Officer after such change occurs (but in any event no more than 15 days after such change occurs).

(f) Reports; Safeguarding CTA Data. Upon written request, the CTA Reporting Officer will provide written reports to each Member from time to time regarding the Company's compliance with the CTA. The CTA Reporting Officer will safeguard the CTA Data and Substantial Control Data collected from the Member and any other persons in accordance with this Section through such methods and systems as the CTA Reporting Officer may reasonably determine.

(g) Indemnification. Each Member will indemnify and defend the Company against any third party claim, loss or expense incurred by the Company as a result of (i) any inaccuracy in any CTA Data or Substantial Control Data provided by such Member, or (ii) any failure of such Member to provide amended CTA Data or Substantial Control Data to the CTA Reporting Officer within the time period required.

ARTICLE XIV
DEFINITIONS

14.01 Accountant's Notice

The term "Accountant's Notice" is defined in Section 7.03.

14.02 Accounting Firm

The term "Accounting Firm" means Ernst & Young, NSA (prior to the completion of the Improvements), or such other accounting firm that is selected by the Executive Committee.

14.03 Actual Knowledge of DP

The term "Actual Knowledge of DP" is defined in Section 9.02.

14.04 Actual Knowledge of Tejon

The term "Actual Knowledge of Tejon" is defined in Section 9.01.

14.05 Additional Contribution Date

The term "Additional Contribution Date" is defined in Section 3.02.

14.06 Adjusted Accountant's Notice

The term "Adjusted Accountant's Notice" is defined in Section 7.05.

14.07 Adjusted Capital Account

The term "Adjusted Capital Account" means, with respect to each Member as of the end of each Fiscal Year of the Company, such Member's Capital Account (i) reduced by any anticipated allocations, adjustments and distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4)-(6), and (ii) increased by the amount of any deficit in such Member's Capital Account that such Member is deemed obligated to restore pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5) or under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations at the end of such Fiscal Year.

14.08 Adjusted Price Determination Notice

The term "Adjusted Price Determination Notice" is defined in Section 8.05.

14.09 Adjustment Amount

The term "Adjustment Amount" is defined in Section 3.03(b).

14.10 Administrative Member

The term "Administrative Member" is defined in Section 2.03.

14.11 Affiliate

The term "Affiliate" means any Person which, directly or indirectly through one (1) or more intermediaries, controls or is controlled by or is under common control with another Person.

14.12 Affiliate Agreements

The term "Affiliate Agreements" is defined in Section 2.16.

14.13 Affiliated Member

The term "Affiliated Member" is defined in Section 2.16.

14.14 Affiliated Parties

The term "Affiliated Parties" is defined in Section 9.05.

14.15 Agreed Value

The term "Agreed Value" is defined in Section 3.01(c).

14.16 Agreement

The term "Agreement" means this Limited Liability Company Agreement of TRC-DP 1, LLC, as the same may be amended from time-to-time.

14.17 Applicable ABP Date

The term "Applicable ABP Date" is defined in Section 2.07.

14.18 Applicable Construction Costs

The term "Applicable Construction Costs" is defined in Section 2.10.

14.19 Appraised Value

The term "Appraised Value" is defined in Section 7.03(a).

14.20 Approved Business Plan

The term "Approved Business Plan" is defined in Section 2.07.

14.21 Arbitration Notice

The term "Arbitration Notice" is defined in Section 13.18(a).

14.22 Bad Acts

The term "Bad Acts" is defined in Section 10.02(a).

14.23 Book Basis

The term "Book Basis" means, with respect to any asset of the Company, the Gross Asset Value (as determined under this Agreement). The Book Basis of all assets of the Company shall be adjusted thereafter by depreciation as provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(g) and any other adjustment to the basis of such assets other than depreciation or amortization.

14.24 Business Day

The term "Business Day" means any day other than Saturday, Sunday, or other day on which commercial banks in California are authorized or required to close under the laws of such state or the United States.

14.25 Business Plan Period

The term "Business Plan Period" means the twelve (12)-month period ending December 31 of each year; provided that the initial Business Plan Period shall be the period beginning on the date the annual business plan for the Company's first Business Plan Period is approved by the Executive Committee pursuant to Section 2.07 and ending on the estimated Project Stabilization Date; and the second Business Plan Period shall be the period beginning on the day after the Project Stabilization Date and ending on the subsequent December 31.

14.26 California Act

The term "California Act" means the California Revised Uniform Limited Liability Company Act as set forth in Title 2.6, Chapter 1 et seq. of the California Corporations Code, as hereafter amended from time to time.

14.27 Capital Account

The term "Capital Account" means with respect to each Member, the amount of money contributed by such Member to the capital of the Company, increased by the aggregate fair market value at the time of contribution (as determined by the Executive Committee) of all property contributed by such Member to the capital of the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code), the aggregate amount of all Net Profits allocated to such Member, and any and all items of gross income and gain specially allocated to such Member pursuant to Sections 4.03 and 4.04, and decreased by the amount of money distributed to such Member by the Company (exclusive of any guaranteed payment within the meaning of Section 707(c) of the Code paid to such Member), the aggregate fair market value at the time of distribution (as determined by the Executive Committee) of all property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code), the amount of any Net Losses allocated to such Member, and any and all losses and deductions, including, without limitation, any and all partnership and/or partner "nonrecourse deductions" specially allocated to such Member pursuant to Sections 4.03 and 4.04. The foregoing Capital Account definition and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

14.28 Capital Call Notice

The term "Capital Call Notice" is defined in Section 3.02.

14.29 Cash Flow

The term "Cash Flow" means the excess, if any, of all cash receipts of the Company as of any applicable determination date in excess of the sum of (i) all cash disbursements (inclusive of any guaranteed payment within the meaning of Section 707(c) of the Code paid to any Member and any reimbursements made to any Member, but exclusive of distributions to the Members in their capacities as such) of the Company prior to that date, and (ii) any reserve, reasonably determined by Administrative Member, for anticipated cash disbursements, including debt service, that will have to be made before additional cash receipts from third parties will provide the funds therefor.

14.30 Certificates

The term "Certificates" is defined in Section 3.03(a).

14.31 Code

The term "Code" means the Internal Revenue Code of 1986, as heretofore and hereafter amended from time to time (and/or any corresponding provision of any superseding revenue law).

14.32 Company

The term "Company" means the limited liability company created pursuant to this Agreement and the filing of the Certificate of Formation for the Company with the Office of the Delaware Secretary of State in accordance with the provisions of the Delaware Act.

14.33 Construction Contract

The term "Construction Contract" is defined in Section 2.10.

14.34 Construction Loan

The term "Construction Loan" is defined in Section 3.04.

14.35 Construction Loan Deadline

The term "Construction Loan Deadline" is defined in Section 3.04.

14.36 Construction Loan Documents

The term "Construction Documents" is defined in Section 3.04.

14.37 Consultants

The term "Consultants" is defined in Section 2.11.

14.38 Contributing Member

The term "Contributing Member" is defined in Section 3.03.

14.39 Contributing Party

The term "Contributing Party" is defined in Section 3.05.

14.40 Contribution Agreement

The term "Contribution Agreement" is defined in Section 2.07.

14.41 Covered Persons

The term "Covered Persons" is defined in Section 10.02(a).

14.42 CTA

The term "CTA" is defined in Section 13.24(a).

14.43 CTA Data

The term "CTA" is defined in Section 13.24(d).

14.44 Dedeaux Properties

The term "Dedeaux Properties" is defined in Section 10.05.

14.45 Default Events

The term "Default Events" is defined in Section 7.01.

14.46 Default Loan

The term "Default Loan" is defined in Section 3.03(a).

14.47 Default Notice

The term "Default Notice" is defined in Section 7.02.

14.48 Defaulting Member

The term "Defaulting Member" is defined in Section 7.01.

14.49 Defaulting Member's Purchase Price

The term "Defaulting Member's Purchase Price" is defined in Section 7.03.

14.50 Delaware Act

The term "Delaware Act" means the Delaware Limited Liability Company Act (6 Del. C. § 18-101, et seq.), as hereafter amended from time to time.

14.51 Delinquent Contribution

The term "Delinquent Contribution" is defined in Section 3.03.

14.52 Deposit

The term "Deposit" is defined in Section 8.04.

14.53 Design-Builder

The term "Design-Builder" is defined in Section 2.10.

14.54 Development Budget

The term "Development Budget" is defined in Section 2.08.

14.55 Development Management Agreement

The term "Development Management Agreement" is defined in Section 2.11.

14.56 Development Management Fee

The term "Development Management Fee" is defined in Section 2.11.

14.57 Development Manager

The term "Development Manager" is defined in Section 2.11.

14.58 Development Notice

The term "Development Notice" is defined in Section 10.05.

14.59 Development Plan

The term "Development Plan" is defined in Section 2.08.

14.60 Dilution Percentage

The term "Dilution Percentage" is defined in Section 3.03(b).

14.61 DP

The term "DP" is defined in the Preamble.

14.62 DP Consultants

The term "DP Consultants" is defined in Section 3.01(b).

14.63 DP Pre-Formation Contracts

The term "DP Pre-Formation Contracts" is defined in Section 3.01(b).

14.64 DP ROFO

The term "DP ROFO" is defined in Section 9.01(l).

14.65 Effective Date

The term "Effective Date" is defined in the Preamble.

14.66 Electing Member

The term "Electing Member" is defined in Section 8.01.

14.67 Election Notice

The term "Election Notice" is defined in Section 8.01.

14.68 Enforceability Exceptions

The term "Enforceability Exceptions" is defined in Section 9.01(c).

14.69 Excess Cost Overrun

The term "Excess Cost Overrun" is defined in Section 3.02.

14.70 Executive Committee

The term "Executive Committee" is defined in Section 2.01(a).

14.71 FAA

The term "FAA" is defined in Section 13.18(a).

14.72 Fiscal Year

The term "Fiscal Year" means the twelve (12)-month period ending December 31 of each year; provided that the initial Fiscal Year shall be the period beginning on the Effective Date and ending on December 31, 2024, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed. To the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Fiscal Years to reflect that such periods are less than full calendar year periods.

14.73 Force Majeure Delay

The term "Force Majeure Delay" is defined in Section 13.23.

14.74 Fundamental Decision

The term "Fundamental Decision" is defined in Section 2.02(k).

14.75 General Contractor

The term "General Contractor" is defined in Section 2.10.

14.76 Gross Asset Value

The term "Gross Asset Value" means, in respect to any asset of the Company, the asset's adjusted tax basis for federal income tax purposes; provided, however, that (i) the Gross Asset Value of any asset contributed or deemed contributed by a Member to the Company or distributed to a Member by the Company shall be the gross fair market value of such asset (without taking into account Section 7701(g) of the Code), as determined by the Executive Committee; and (ii) the Gross Asset Values of all Company assets may be adjusted, by the Executive Committee, to equal their respective gross fair market values (taking into account Section 7701(g) of the Code), as reasonably determined by the Executive Committee, as of (A) the date of the acquisition of an additional interest in the Company by any new or existing member in exchange for more than a de minimis contribution to the capital of the Company, or (B) upon the Liquidation of the Company or the distribution by the Company to a retiring or continuing member of more than a de minimis amount of money or other Company property in reduction of such Member's Interest. Any adjustments made to the Gross Asset Value of Company assets pursuant to the foregoing provisions shall be reflected in the Members' Capital Account balances in the manner set forth in Treasury Regulation Sections 1.704-1(b) and 1.704-2.

14.77 Guarantor(s)

The terms "Guarantor" and "Guarantors" are defined in Section 3.05.

14.78 Hypothetical Distribution

The term "Hypothetical Distribution" means, with respect to each Member and any Fiscal Year, the amount that would be received by such Member (or, in certain cases, reduced as appropriate by the amount such Member would be obligated to pay) if all Company assets were sold for cash equal to their Book Basis, all Company liabilities were satisfied to the extent required by their terms (limited, with respect to each nonrecourse liability to the Book Basis of the assets securing each such liability), and the net assets of the Company were distributed in full to the Members pursuant to Section 5.01.

14.79 Impasse Event

The term "Impasse Event" is defined in Section 2.02(k).

14.80 Improvements

The term "Improvements" is defined in Section 1.03.

14.81 Interest

The term "Interest" means with respect to each Member, all of such Member's right, title and interest in and to the Net Profits, Net Losses, Cash Flow, distributions and capital of the Company, and any and all other interests therein in accordance with the provisions of this Agreement and the Delaware Act.

14.82 JAMS

The term "JAMS" is defined in Section 13.18(b).

14.83 Just Cause Event

The term "Just Cause Event" is defined in Section 2.17(c).

14.84 Leasing Override Fee

The term "Leasing Override Fee" is defined in Section 2.13.

14.85 Lender(s)

The terms "Lender" and "Lenders" are defined in Section 3.04.

14.86 Liquidation

The term "Liquidation" means, (i) with respect to the Company, the date upon which the Company ceases to be a going concern (even though it may continue in existence for the purpose of winding up its affairs, paying its debts and distributing any remaining balance to its Members), and (ii) with respect to a Member wherein the Company is not in Liquidation, means the liquidation of a Member's interest in the Company under Treasury Regulation Section 1.761-1(d).

14.87 Loans

The term "Loans" is defined in Section 3.04.

14.88 Lockout Date

The term "Lockout Date" is defined in Section 8.01.

14.89 Losses

The term "Losses" is defined in Section 2.12.

14.90 Lyda

The term "Lyda" is defined in Section 2.01(b).

14.91 Major Decisions

The term "Major Decisions" is defined in Section 2.04.

14.92 Management Standard

The term "Management Standard" is defined in Section 2.03.

14.93 Marketing Plan

The term "Marketing Plan" is defined in Section 2.13.

14.94 Master Developer Work

The term "Master Developer Work" is defined in Section 2.12.

14.95 McMahon

The term "McMahon" is defined in Section 2.01(b).

14.96 Member(s)

The term "Members" means Tejon and DP, collectively; the term "Member" means either one (1) of the Members.

14.97 Net Profits and Net Losses

The terms "Net Profits" and "Net Losses" mean, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss, as the case may be, for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss); provided, however, for purposes of computing such taxable income or loss, (i) such taxable income or loss shall be adjusted by any and all adjustments required to be made in order to maintain Capital Account balances in compliance with Treasury Regulation Sections 1.704-1(b), and (ii) any and all items of gross income, gain, loss and/or deductions, including, without limitation, any and all partnership and/or partner "nonrecourse deductions" specially allocated to any Member pursuant to Sections 4.03 and 4.04 shall not be taken into account in calculating such taxable income or loss.

14.98 Non-Contributing Member

The term "Non-Contributing Member" is defined in Section 3.03.

14.99 Non-Contributing Party

The term "Non-Contributing Party" is defined in Section 3.05.

14.100 Non-Defaulting Member

The term "Non-Defaulting Member" is defined in Section 7.01.

14.101 Non-Electing Member

The term "Non-Electing Member" is defined in Section 8.01.

14.102 Nonrecourse Documents

The term "Nonrecourse Documents" is defined in Section 3.05.

14.103 Nonrecourse Parties

The term "Nonrecourse Parties" is defined in Section 10.03.

14.104 NSA

The term "NSA" is defined in Section 2.03.

14.105 Obligated Member

The term "Obligated Member" is defined in Section 13.23.

14.106 OFAC

The term "OFAC" is defined in Section 9.01(h).

14.107 Officers

The term "Officers" is defined in Section 2.18(a).

14.108 Operating Budget

The term "Operating Budget" is defined in Section 2.09.

14.109 Parcel 1A

The term "Parcel 1A" is defined in Section 10.05.

14.110 Partially Adjusted Capital Account

The term "Partially Adjusted Capital Account" means, with respect to each Member and taxable year, the Capital Account of such Member at the beginning of such taxable year, adjusted as set forth in the definition of "Capital Account" for all contributions and distributions during such year and all special allocations pursuant to Sections 4.03 and 4.04, but before giving effect to any allocation to Net Profits or Net Losses for such taxable year pursuant to Section 4.01 or 4.02.

14.111 Percentage Interest

The term "Percentage Interest" means, with respect to each Member, the percentage set forth opposite such Member's name on Exhibit "A" attached hereto under the column labeled "Percentage Interest," subject to any adjustment pursuant to Section 3.03(b).

14.112 Permanent Loan

The term "Permanent Loan" is defined in Section 3.04.

14.113 Permitted Transferees

The term "Permitted Transferees" is defined in Section 6.02.

14.114 Person

The term "Person" means a natural person, partnership (whether general or limited), limited liability company, trust, estate, association, corporation, custodian, nominee, or any other individual or entity, in its own or any representative capacity.

14.115 Pre-Development Budget

The term "Pre-Development Budget" is defined in Section 2.06.

14.116 Price Determination Notice

The term "Price Determination Notice" is defined in Section 8.02.

14.117 Pro Rata Share

The term "Pro Rata Share" is defined in Section 3.05.

14.118 Prohibited Transfer

The term "Prohibited Transfer" is defined in Section 10.02(a).

14.119 Project

The term "Project" is defined in Section 1.03.

14.120 Project Stabilization Date

The term "Project Stabilization Date" means the first date that the Company has under lease and occupancy by tenants at least ninety percent (90%) of the space available for lease in the Project.

14.121 Property

The term "Property" is defined in Section 1.03.

14.122 Property Management Agreement

The term "Property Management Agreement" is defined in Section 2.14.

14.123 Property Management Fee

The term "Property Management Fee" is defined in Section 2.14.

14.124 Property Manager

The term "Property Manager" is defined in Section 2.14.

14.125 Property Material & Rights

The term "Property Material & Rights" is defined in Section 12.03.

14.126 Proposed Development

The term "Proposed Development" is defined in Section 10.05.

14.127 Purchase Notice

The term "Purchase Notice" is defined in Section 8.03.

14.128 Purchase Price

The term "Purchase Price" is defined in Section 8.02.

14.129 Quorum

The term "Quorum" is defined in Section 2.02(a).

14.130 Re-Abandoned Well

The term "Re-Abandoned Well" is defined in Section 3.01(c).

14.131 Recourse Documents

The term "Recourse Documents" is defined in Section 3.05.

14.132 Regulatory Allocations

The term "Regulatory Allocations" is defined in Section 4.04.

14.133 Removal Notice

The term "Removal Notice" is defined in Section 2.17(c).

14.134 Representative(s)

The terms "Representative" and "Representatives" are defined in Section 2.01(b).

14.135 Response Period

The term "Response Period" is defined in Section 2.05.

14.136 Rules

The term "Rules" is defined in Section 13.18(c).

14.137 Securities Acts

The term "Securities Acts" is defined in Section 9.04(a)(i).

14.138 Shortfall

The term "Shortfall" is defined in Section 3.02.

14.139 Stated Value

The term "Stated Value" is defined in Section 8.01.

14.140 Substantial Completion Date

The term "Substantial Completion Date" means the date that Kern County issues a temporary certificate of occupancy (or its equivalent) for the occupancy of the Project (excepting therefrom all tenant improvements), pursuant to which the local governing authority generally acknowledges that the Project and its construction is complete and available for occupancy for its intended use.

14.141 Substantial Control Data

The term "Substantial Control Data" is defined in Section 13.24(e).

14.142 Target Capital Account

The term "Target Capital Account" means, with respect to each Member and any taxable year, an amount (which may be either a positive or a deficit balance) equal to the Hypothetical Distribution such Member would receive (or, in certain cases, reduced as appropriate by the amount such Member would be required to pay), minus the Member's share of Company minimum gain determined pursuant to Treasury Regulation Section 1.704-2(g), and minus the Member's share of partner minimum gain determined in accordance with Treasury Regulation Section 1.704-2(i)(5), all computed immediately prior to the hypothetical sale described in the definition of "Hypothetical Distribution."

14.143 Tejon

The term "Tejon" is defined in the Preamble.

14.144 Tejon Consultants

The term "Tejon Consultants" is defined in Section 3.01(b).

14.145 Tejon Industrial Corp.

The term "Tejon Industrial Corp." is defined in the Section 1.03.

14.146 Transfer

The term "Transfer" is defined in Section 6.01.

14.147 TRC Pre-Formation Contracts

The term "TRC Pre-Formation Contracts" is defined in Section 3.01(b).

14.148 Treasury Regulation

The term "Treasury Regulation" means any proposed, temporary and/or final federal income tax regulation promulgated by the United States Department of the Treasury as heretofore and hereafter amended from time to time (and/or any corresponding provisions of any superseding revenue law and/or regulation).

14.149 Unreturned Contribution Account

The term "Unreturned Contribution Account" means a separate account to be maintained by the Company for each Member that will be credited by the Agreed Value of the Property (in the case of Tejon), the agreed value of any other property contributed by such Member, and the amount of money contributed (or deemed contributed) by such Member to the capital of the Company and credited to such account pursuant to Sections 3.01(a), 3.01(c), 3.01(d), 3.02, 3.03(a), or 3.03(b), and decreased by the amount of money distributed (or deemed distributed) by the Company to such Member pursuant to Sections 2.06, 3.01(d), 3.03(b), or 5.01(a), and the fair market value at the time of distribution (as determined by the Executive Committee) of any property distributed to such Member by the Company (net of any liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code) pursuant to Section 5.01(a).

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

"Tejon"

TRCC – WEST ONE LLC,
a California limited liability company

By:_____
Name:_____
Its:_____

"DP"

DP NOJET, LLC
a Delaware limited liability company

By:_____
Name:_____
Its:_____

EXHIBIT "A"

NAMES, ADDRESSES, PERCENTAGE INTERESTS AND INITIAL CASH CONTRIBUTIONS OF THE MEMBERS

Member	Percentage Interest	Initial Cash Contribution
TRCC – WEST ONE LLC P.O. Box 1000 Lebec, CA 93243 Attn.: Allen Lyda and Hugh McMahon	50.0%	$250,000[1]
DP NOJET, LLC 1222 6th Street Santa Monica, CA 90401 Attn.: Brett Dedeaux	50.0%	$250,000[2]
Totals	100.0%	$500,000

[1] Tejon is also required to cause Tejon Industrial Corp. to assign the TRC Pre-Formation Contracts and the Property to the Company in accordance with Section 3.01(b) and 3.01(c), respectively.

[2] DP is also required to contribute the DP Pre-Formation Contracts and an amount equal to 50% of the excess of (i) the pre-development costs incurred by Tejon, minus (ii) the pre-development costs incurred by DP in accordance with Section 3.01(b) and Section 3.01(a)(iv), respectively.

EXHIBIT "B"

LEGAL DESCRIPTION OF THE PROPERTY

THE EASTERLY TWENTY-EIGHT AND 89/100THS (28.89) GROSS ACRES OF LOT B OF LLA 10-23, WITH TWENTY-FOUR AND 57/100THS (24.57) NET ACRES AFTER ROAD RIGHT-OF-WAY DEDICATIONS.

EXCEPTING THEREFROM, WITH NO RIGHT TO SURFACE ENTRY (I) ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, ALL GOLD, SILVER, PRECIOUS AND SEMI-PRECIOUS METALS, STONES AND OTHER SIMILAR MINERALS, ALL SAND, GRAVEL, ROCK, CONCRETE AGGREGATE AND OTHER SIMILAR MATERIALS, AND ALL OTHER HYDROCARBONS, MINERALS OR MATERIALS, OR PRODUCTS THEREOF, OF WHATEVER KIND OR CHARACTER (COLLECTIVELY "MINERALS"), WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED (IT BEING INTENDED THAT THE WORD "MINERALS" AS USED HEREIN SHALL BE DEFINED IN THE BROADEST SENSE OF THE WORD AND SHALL INCLUDE, WITHOUT LIMITATION, ALL HYDROCARBONS, MINERALS OR MATERIALS, OR PRODUCTS THEREOF, METALLIC AND NONMETALLIC, SOLID, LIQUID OR GASEOUS), WHICH ARE UPON, IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (II) ALL SALT WATER WHICH IS IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (III) THE EXCLUSIVE RIGHT, BY WHATEVER METHODS NOW OR HEREAFTER KNOWN, AS GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, MAY DEEM ADVISABLE, TO PROSPECT FOR, INVESTIGATE FOR, EXPLORE FOR, DRILL FOR, PRODUCE, MINE, EXTRACT, REMOVE AND REDUCE TO POSSESSION AND OWNERSHIP, ALL MINERALS AND SALT WATER WHICH ARE UPON, IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (IV) THE EXCLUSIVE RIGHT TO DRILL INTO AND THROUGH THE PROPERTY TO EXPLORE FOR AND THEREAFTER PRODUCE AND EXTRACT MINERALS WHICH MAY BE PRODUCED FROM NEIGHBORING LANDS; (V) THE EXCLUSIVE RIGHT TO PRODUCE AND EXTRACT MINERALS BY REPRESSURING THE SUBSURFACE SANDS AND STRATA WITH FLUIDS OR GASES OR BY SUCH OTHER METHOD OR METHODS AS GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, MAY DEEM ADVISABLE, AND TO INJECT IN AND STORE AND THEREAFTER REMOVE SUCH FLUIDS AND GASES, WHETHER OR NOT INDIGENOUS TO THE PROPERTY; (VI) THE RIGHT AT ALL TIMES, AND WITHOUT CHARGE, TO INVESTIGATE FOR, EXPLORE FOR, DRILL FOR, PRODUCE, REMOVE AND REDUCE TO POSSESSION AND OWNERSHIP, THOSE QUANTITIES OF FRESH WATER FROM AQUIFERS UNDERLYING THE PROPERTY DEEMED NECESSARY BY GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, TO USE IN PROSPECTING, EXPLORING, DRILLING, MINING, PRODUCING, EXTRACTING AND REMOVING (INCLUDING, WITHOUT LIMITATION, TO USE IN UNIT OPERATIONS, WATER FLOOD, THERMAL OR OTHER SECONDARY RECOVERY METHODS NOW OR HEREAFTER KNOWN), OR OTHER OPERATIONS IN CONNECTION WITH THE FULL ENJOYMENT AND EXERCISE OF THE RIGHTS HEREIN EXCEPTED AND RESERVED; AND (VII) THE RIGHT TO EXERCISE ALL RIGHTS HEREIN EXCEPTED AND RESERVED AND ANY AND ALL OTHER RIGHTS UPON THE PROPERTY INCIDENTAL

TO OR CONVENIENT, WHETHER ALONE OR CO-JOINTLY WITH NEIGHBORING LANDS, IN EXPLORING FOR, PRODUCING AND EXTRACTING THE MINERALS AND SALT WATER HEREIN EXCEPTED AND RESERVED. ALSO EXCEPTING THEREFROM (I) ALL WATER, INCLUDING GROUNDWATER, AND ALL WATER RIGHTS, WHETHER CHARACTERIZED AS RANCHO RIGHTS, RIPARIAN, OVERLYING, CORRELATIVE, APPROPRIATE, PRESCRIPTIVE OR OTHERWISE, AND WHETHER OR NOT APPURTENANT, AND WHETHER ON THE SURFACE, BELOW THE SURFACE OR BORDERING THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE RESERVATION OF ALL RIGHTS TO DIVERT WATER FROM WATER SOURCES ON THE PROPERTY AND TO PUMP, TAKE OR OTHERWISE EXTRACT OR USE GROUNDWATER FROM BELOW THE SURFACE OF THE PROPERTY, THROUGH WELLS ACCESSING ANY WATER TABLE OR BASIN UNDERLYING THE PROPERTY, WHETHER SUCH GROUNDWATER IS PERCOLATING OR LOCATED IN AN UNDERGROUND CHANNEL, AND WHETHER SUCH WATER IN NATIVE OR FOREIGN; (II) ANY SHARES OF STOCK EVIDENCING ANY SUCH WATER RIGHTS; AND (III) ALL FIXTURES AND EQUIPMENT NOW USED FOR THE PRODUCTION OR DISTRIBUTION OF WATER ON, OR FOR THE IRRIGATION OR DRAINAGE OF, THE PROPERTY. THIS RESERVATION APPLIES WHETHER SUCH RIGHTS WERE HISTORICALLY EXERCISED OR REMAIN INCHOATE, AND WHETHER SUCH RIGHTS HAVE BEEN ADJUDICATED, AS RESERVED BY TEJON RANCHCORP, A CALIFORNIA CORPORATION IN A DEED RECORDED JANUARY 14, 2008 AS INSTRUMENT NO. 0208005797 OF OFFICIAL RECORDS.

EXHIBIT "C"

PRE-DEVELOPMENT BUDGET

Building 1B Pre-Development Budget					
DESCRIPTION OF WORK		Projected	Contracted	Remaining	Paid As of 10.4.24
Permits & Fees - Deposits (33% of Total)		$ 208,000	$ 520	$ 207,480	$ 520
PG&E Application Fee		20,000	20,000	-	20,000
Design					
Arch & Structural, MEP, Landscape, TI, Acoustical		415,000	391,000	24,000	78,200
Misc Consultants - Bio Survey, Oil Well Vent Engineering, Air, ALTA, Topo, Etc.		55,000	14,434	40,566	9,634
Civil Engineering		250,000	202,457	47,544	30,186
Soils Engineering - Geotechnical Report & Pavement Investigation		15,735	15,735	-	15,735
Soils Engineering - Phase I Report		2,850	2,850	-	2,850
Soils Engineering - Phase II Oil Well Sumps Testing		10,135	10,135	-	10,135
Partners - Phase I		4,800	4,800	-	4,800
Partners - Phase II Methane Vapor Testing		19,915	19,915	-	19,915
Fire Protection Consultant		27,500	27,500	-	
Fire Alarm		3,500	3,500	-	
Design Total		$ 1,032,435	$ 712,846	$ 319,590	$ 191,975
Contingency	5.0%	$ 51,622	$ -	$ 51,622	$ -
Total (doesn't include remaining permit fees at issuance)		$ 1,084,057	$ 712,846	$ 371,211	$ 191,975

EXHIBIT "D"

CONTRIBUTION AGREEMENT

[See Attached]

CONTRIBUTION AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

I.

SUMMARY AND DEFINITION OF BASIC TERMS

THIS CONTRIBUTION AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "**Agreement**"), dated as of the Effective Date set forth in Section 1 of this Article I below, is made by and between TEJON INDUSTRIAL CORP., a California corporation ("**Contributor**"), and TRC-DP 1, LLC, a Delaware limited liability company ("**Company**"). The terms set forth below shall have the meanings set forth below when used in this Agreement.

Terms of Agreement (first reference in this Agreement)	Description
1. **Effective Date** (Preamble):	_____, 202_[1]
2. **Closing Date** (Section 2.2):	Concurrently with the closing of the Construction Loan (as defined in the "Company Agreement" (which is defined in Recital B below)) pursuant to Sections 2.07 and 3.01(b) of the Company Agreement.
3. **Contributor's Notice Address** (Section 10):	Tejon Industrial Corp. P.O. Box 1000 4436 Lebec Road Lebec, California 93243 Attention: Allen Lyda and Hugh McMahon Emails: alyda@tejonranch.com; hmcmahon@tejonranch.com
4. **Company's Notice Address** (Section 10):	TRC-DP 1, LLC c/o Dedeaux Properties 1222 6th Street Santa Monica, California 90401 Attn: Brett Dedeaux Emails: Brett Dedeaux; Jordan Monsour brettd@dedeauxproperties.com; jordanm@dedeauxproperties.com

[1] **Note to Draft**: This Agreement is to be executed within ten business days following the approval of both the business plan for the first "Business Plan Period" and the loan documents for the Construction Loan (as such terms are defined in the "Company Agreement"). This Agreement will be deposited into the escrow for the Construction Loan and delivered concurrently with the Construction Loan closing.

5.	**Escrow Holder** and **Escrow Holder's Notice Address** (Sections 2.1 and 10):	Chicago Title Company 23929 Valencia Blvd., Suite #304 Valencia, California 91355 Attn: Melinda Gile Email: melinda.gile@ctt.com
6.	**Title Company** (Section 3.1.1):	Chicago Title Company 23929 Valencia Blvd., Suite #304 Valencia, California 91355 Attn: [Melinda Gile Email: melinda.gile@ctt.com
7.	**Contributor's Representatives** (Section 8.1.13):	Allen Lyda and Hugh McMahon
8.	**Company's Representatives** (Section 9.1.7):	Brett Dedeaux and Jordan Monsour

II.

RECITALS

A. Contributor is the owner of that certain real property located in the County of Kern, State of California, which contains approximately twenty-four and 92/100ths (24.92) net acres of usable land described more fully on Exhibit "A" attached hereto (the "**Land**"). The Land is located within the Tejon Ranch Commerce Center (the "**Project**").

B. An affiliate of Contributor (sometimes also referred to herein as "**TRC Member**") and an affiliate of Dedeaux Properties, LLC, a California limited liability company ("**DP Member**"), as the members, have entered into, or are concurrently entering into that certain Limited Liability Company Agreement of TRC-DP 1, LLC on or about _____, _____ (the "**Company Agreement**"). This Agreement is an Affiliate Agreement, as defined in the Company Agreement, since it is an agreement between Contributor (which is the parent of TRC Member) and the Company, in which TRC Member holds a fifty percent (50%) percentage interest. Therefore, any waivers, agreements, notices, declarations of default, or other actions of the Company under this Agreement shall be determined or made only by DP Member acting alone and without regard to TRC Member.

C. In connection with the Company Agreement, Contributor (in its capacity as the sole owner of TRC Member) desires to contribute and convey to the capital of Company, and Company desires to accept and acquire and assume from Contributor, all of Contributor's rights, title, interests, duties and obligations in and to the following:

i. Subject to the last sentence of this Recital C, the Land and all of Contributor's interest in all rights, privileges, easements, rights-of-way and appurtenances benefiting the Land including, without limitation, Contributor's interest, if any, in all air

rights, entitlements, easements, rights-of-way and other appurtenances used or connected with the beneficial use or enjoyment of the Land (the Land and all such rights, entitlements, privileges, easements and appurtenances are sometimes collectively hereinafter referred to as the "**Real Property**"); and

ii. To the extent assignable, those certain warranties, guaranties, licenses, permits, entitlements (subject to the Builder Covenants), governmental approvals and certificates of occupancy and any other intangible personal property described on Exhibit "B" attached hereto, which benefit the Real Property (collectively, the "**Intangible Personal Property**").

The Real Property and the Intangible Personal Property are sometimes collectively hereinafter referred to as the "**Property**." Notwithstanding the foregoing, the "Property" shall not include any rights, privileges or appurtenances expressly retained by Contributor under the Builder Covenants (as defined in Recital D below), the Deed (as defined in Section 4.1.2 below) or the General Assignment (as defined in Section 4.1.4 below). Without limiting the generality of the foregoing, Company acknowledges that Contributor shall retain all water and mineral rights relating to the Real Property pursuant to the Deed with no right to surface entry.

D. Upon the Closing, Contributor and Company shall also execute and cause the Declaration of Building Covenants for Lot 8 of Parcel Map 10915-E within Tejon Ranch Commerce Center-East, in the form attached hereto as Exhibit "C" (the "**Builder Covenants**"), to be recorded in the Official Records of the County of Kern, State of California (the "**Official Records**"), with respect to Company's future development of the Real Property in a manner consistent with Contributor's plans for the Project, as more particularly described in the Builder Covenants.

III.

AGREEMENT

NOW, THEREFORE, in consideration of the Company Agreement and the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Contributor and Company hereby agree as follows, and hereby instruct Escrow Holder as follows:

1. Contribution of Property.

Contributor hereby agrees to contribute and convey to the capital of Company, and Company hereby agrees to accept and acquire and assume from Contributor, the Property upon the terms and conditions set forth in this Agreement.

2. Escrow.

2.1 Opening of Escrow. Company and Contributor shall promptly deliver a fully executed copy of this Agreement to Escrow Holder. The date of Escrow Holder's receipt of this Agreement is referred to as the "**Opening of Escrow**." Contributor and Company shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be

necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby (the "**Supplemental Instructions**"), provided the Supplemental Instructions are consistent with and merely supplement the escrow instructions set forth in this Agreement (the "**Agreement Instructions**") and shall not in any way modify, amend or supersede the Agreement Instructions. The Supplemental Instructions, together with the Agreement Instructions, as they may be amended from time to time by the parties, shall collectively be referred to as the "**Escrow Instructions**." The parties hereto and Escrow Holder acknowledge and agree if there is any conflict between any provision of the Supplemental Instructions and the Agreement Instructions, then the Agreement Instructions shall prevail.

2.2 Close of Escrow/Closing. For purposes of this Agreement, the "**Close of Escrow**" or the "**Closing**" shall mean the date upon which the Deed to the Real Property is recorded in the Official Records. The Close of Escrow shall occur on the Closing Date.

3. Conditions Precedent to the Close of Escrow.

3.1 Conditions Precedent to Company's Obligations. The Close of Escrow and Company's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions:

3.1.1 Title Policy. On or before the Closing, Title Company shall have committed to issue to Company an ALTA extended coverage Owner's Policy of Title Insurance (the "**Title Policy**") with liability in an amount equal to Nine Dollars ($9.00) per square foot for the twenty-four and 57/100ths (24.57) acres of net usable land area available for development in the Land, reduced by the lien for property taxes not yet payable and adjusted for any prorations or other items described in this Agreement (the "**Agreed Value**"). The Agreed Value of the Land prior to any adjustment for real property taxes not yet payable, prorations and credits equals approximately Nine Million Six Hundred Thirty-Two Thousand Four Hundred Twenty-Two and 80/100th Dollars $9,632,422.80) (i.e., (24.57 acres of net usable land x 43,560 square feet per acre) x $9.00 = $9,632,422.80). The Title Policy shall show title to the Property vested in Company, subject only to all matters set forth on Exhibit "D" attached hereto (which shall include, without limitation, the Deed and the Builder Covenants) (collectively, the "**Permitted Exceptions**"), in the form of the pro-forma with endorsements attached hereto as Exhibit "D".

3.1.2 Contributor's Performance. Contributor shall have timely performed all of the obligations required to be performed by Contributor under this Agreement.

3.1.3 Accuracy of Representations and Warranties. All representations and warranties made by Contributor to Company in this Agreement shall be true and correct as of the Closing.

3.1.4 No Material Adverse Change. No material adverse change, as determined by Company in its reasonable discretion, shall have occurred with respect to any aspect, feature or condition of or relating to the Property from and after the Effective Date.

3.2 Failure of Conditions Precedent to Company's Obligations. Company's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Company's benefit set forth in

Section 3.1 above. Company (with the prior consent of DP Member) may unilaterally waive any of Company's conditions described in Section 3.1 above. Any such waiver shall be effective only if the same is (i) in writing, (ii) signed by Company and DP Member, and (iii) delivered to Contributor on or before the date such condition is to be satisfied. If any of Company's conditions described in Section 3.1 above are not satisfied or waived by Company (as set forth above) on or before the date such condition is to be satisfied, then DP Member, on behalf of the Company, may terminate this Agreement. If DP Member terminates this Agreement by written notice to Contributor because of the failure of any of Company's conditions described in Section 3.1 above, then Contributor shall pay all cancellation fees or charges related to this Agreement, and the parties shall have no further rights or obligations to one another under this Agreement (except to the extent any such rights or obligations expressly survive the termination of this Agreement); provided, however, that if the failure of any such condition precedent is due to a default by Contributor under this Agreement, then Company shall be entitled to exercise the remedies for a default by Contributor under this Agreement as provided in Section 12 below.

3.3 Conditions Precedent to Contributor's Obligations. The Close of Escrow and Contributor's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions:

3.3.1 Company's Performance. Company shall have timely performed all of the obligations required by Company under this Agreement.

3.3.2 Accuracy of Representations and Warranties. All representations and warranties made by Company to Contributor in this Agreement shall be true and correct as of the Closing.

3.4 Failure of Conditions Precedent to Contributor's Obligations. Contributor's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Contributor's benefit set forth in Section 3.3 above. Contributor may unilaterally waive any of Contributor's conditions described in Section 3.3 above. Any such waiver shall be effective only if the same is (i) in writing, (ii) signed by Contributor, and (iii) delivered to Company on or before the date such condition is to be satisfied. If any of Contributor's conditions described in Section 3.3 above are not satisfied or waived by Contributor (as set forth above) on or before the date such condition is to be satisfied, then Contributor may terminate this Agreement. If Contributor terminates this Agreement by written notice to Company because of the failure of any of Contributor's conditions described in Section 3.3 above, then Company and Contributor shall each pay one-half (1/2) of any cancellation fees or charges related to this Agreement, and the parties shall have no further rights or obligations to one another under this Agreement (except to the extent any such rights or obligations expressly survive the termination of this Agreement); provided, however, that if the failure of any such condition precedent is due to a default by Company under this Agreement, then Contributor shall be entitled to exercise the remedies for a default by Company under this Agreement as provided in Section 12 below.

4. Deliveries to Escrow Holder.

4.1 Contributor's Deliveries. Contributor hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date (or other date specified) the following instruments and documents:

4.1.1 Contributor Funds. All costs, expenses and prorations which are Contributor's responsibility under this Agreement;

4.1.2 Deed. A Grant Deed in the form attached hereto as Exhibit "E" (the "**Deed**"), duly executed and acknowledged in recordable form by Contributor, conveying Contributor's interest in the Real Property to Company;

4.1.3 Non-Foreign Certifications. A non-foreign certificate in the form attached hereto as Exhibit "F", duly executed by Contributor, together with the then current form of California Form 593 (collectively, the "**Tax Certificates**");

4.1.4 General Assignment. Two (2) counterpart originals of the General Assignment in the form attached hereto as Exhibit "G" (the "**General Assignment**"), pursuant to which Contributor shall contribute and assign to Company all of Contributor's right, title and interest in, under and to the Intangible Personal Property, as more particularly set forth therein, duly executed by Contributor;

4.1.5 Builder Covenants. Two (2) counterpart originals of the Builder Covenants, duly executed and acknowledged in recordable form by Contributor;

4.1.6 Intentionally Deleted.

4.1.7 Owner's Affidavit. An owner's affidavit in the form reasonably required by Title Company and reasonably approved by Contributor to issue the Title Policy in the form described in Section 3.1.1 above, duly executed by Contributor, including, without limitation, incorporated or separate statements and/or indemnities in the form reasonably approved by Contributor necessary to obtain a non-imputation endorsement from Title Company; and

4.1.8 Proof of Authority. Such proof of Contributor's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Contributor to act for and bind Contributor, as may be reasonably required by Title Company.

4.2 Company's Deliveries. Company hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Closing Date the following funds, instruments and documents:

4.2.1 Company Funds. All costs, expenses and prorations which are Company's responsibility under this Agreement;

4.2.2 PCOR. A Preliminary Change of Ownership Report in the then current form promulgated by the applicable jurisdiction (the "**PCOR**"), duly executed by Company;

4.2.3 General Assignment. Two (2) counterpart originals of the General Assignment, duly executed by Company;

4.2.4 Intentionally Deleted.

4.2.5 Builder Covenants. Two (2) counterpart originals of the Builder Covenants, duly executed and acknowledged in recordable form by Company; and

4.2.6 Proof of Authority. Such proof of Company's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Company to act for and bind Company, as may be reasonably required by Title Company.

5. Deliveries Upon Close of Escrow.

Upon the Close of Escrow, Escrow Holder shall promptly undertake all of the following:

5.1 Tax Filings. File the information return for the sale of the Property required by Section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder;

5.2 Prorations. Prorate all matters referenced in Section 6.2 below based upon the statement(s) signed by Contributor and Company and delivered to Escrow Holder;

5.3 Recording. Cause the Deed and the Builder Covenants (in that order), and any other documents which the parties hereto may direct, to be recorded in the Official Records in the order directed by the parties (subject to the recording order set forth above), and cause the PCOR to be filed with the appropriate office;

5.4 Company Funds. Disburse from funds deposited by Company with Escrow Holder towards payment of all items and costs chargeable to the account of Company pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Company;

5.5 Documents to Contributor. Deliver to Contributor one (1) fully-executed original of the General Assignment;

5.6 Documents to Company. Deliver to Company one (1) fully-executed original of the General Assignment;

5.7 Title Policy. Direct Title Company to issue the Title Policy to Company; and

5.8 Contributor Funds. Disburse from funds deposited by Contributor with Escrow Holder towards payment of all items and costs chargeable to the account of Contributor pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Contributor.

6. Costs and Expenses; Prorations.

6.1 Costs and Expenses. Contributor shall pay through escrow (i) the cost of the Title Policy premium for a standard ALTA title policy (and Company shall pay for the premium for an extended coverage ALTA title policy and any title endorsements requested by Company), (ii) all documentary transfer taxes assessed by the city and/or county in which the Real Property is located, and (iii) fifty percent (50%) of the Escrow Holder's fee (with the other 50% paid by the Company). Company shall pay through escrow the recording charges for the recording of the Deed and any other documents, which are requested to be recorded by Company. Contributor shall pay all costs associated with paying off any existing financing on the Property and any delinquent real property taxes. In addition, Company shall pay all legal and professional fees and costs of attorneys and other consultants and agents retained by Company, subject to Sections 14.5 and 15 below. Contributor shall pay all legal and professional fees and costs of attorneys and other consultants and agents retained by Contributor, subject to Sections 14.5 and 15 below. Nothing contained herein shall be deemed to alter or otherwise modify the obligations of TRC Member and DP Member to pay their respective attorneys' fees and costs in accordance with the terms of the Company Agreement.

6.2 Prorations. The following prorations between Contributor and Company shall be made by Escrow Holder computed as of the Close of Escrow:

6.2.1 Prorations. Real property taxes and assessments, general and special including, without limitation, any assessments for the CFD (as defined in Section 7.1.6 below), on the Real Property shall be prorated on the basis that Contributor is responsible for (i) all such taxes for the calendar years occurring prior to the Current Tax Period (as defined below), and (ii) that portion of such taxes for the Current Tax Period determined on the basis of the number of days which have elapsed from the first day of the Current Tax Period through the Close of Escrow, inclusive, whether or not the same shall be payable prior to the Close of Escrow. The phrase "**Current Tax Period**" refers to the tax fiscal year in which the Close of Escrow occurs. If as of the Close of Escrow the actual tax bills for the year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then the rates and assessed valuation of the previous year, with known changes (including any known changes under the CFD assessments for the Current Tax Period), shall be used, and when the actual amount of taxes and assessments for the year or years in question shall be determinable, then such taxes and assessments will be re-prorated (up or down) between the parties to reflect the actual amount of such taxes and assessments. Contributor shall notify Company of the amount of the adjustment, if any, supporting same with copies of the final tax bill, with payment due Contributor or Company, as the case may be, not later than thirty (30) days following such notice. If the Real Property is not a separate tax parcel for the full Current Tax Period, then the real property taxes and assessments allocated to the Real Property for such portion of the Current Tax Period shall be based on the gross square footage of the Real Property as compared to the gross square footage of the tax parcel(s) in which the Real Property is located. Notwithstanding anything to the contrary

in this Agreement, Company hereby acknowledges and agrees that Company shall be solely responsible for any and all special taxes pursuant to the CFD, excluding that portion of such taxes that commence to accrue prior to the Close of Escrow, which shall be the sole obligation of Contributor. All other costs and expenses for any utilities provided to the Real Property accruing on or before the Close of Escrow shall be borne by Contributor.

6.2.2 Final Adjustment. If any prorations, apportionments or computations made under this Section 6.2 shall require final adjustment, then the parties shall make the appropriate adjustments promptly when accurate information becomes available and either party hereto shall be entitled to an adjustment to correct the same. Any corrected adjustment or proration shall be paid in cash to the party entitled thereto.

6.3 Survival. The provisions of this Section 6 shall survive the Closing.

7. AS-IS Contribution.

7.1 Company's Acknowledgment. Company acknowledges that the provisions of this Section 7 have been required by Contributor as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Company (and DP Member) and have been understood and agreed to by Company (and DP Member). As a material inducement to Contributor to enter into this Agreement and to contribute the Property to Company, Company hereby acknowledges and agrees that:

7.1.1 Contributor's Environmental Inquiry. Contributor has delivered to Company the environmental reports described in Exhibit "I" attached hereto and has received from Company an environmental report prepared by Partners Environmental Consulting, Inc. at the request of the DP Member (collectively, the "**Environmental Reports**"). If any of the Environmental Reports are updated, supplemented, or corrected prior to the Close of Escrow (collectively, "**Updates**"), then Contributor shall promptly provide Company with copies of such Updates. For purposes of California Health and Safety Code Section 25359.7, Contributor has acted reasonably in relying solely upon the Environmental Reports and the delivery of such reports constitutes written notice to Company under such code section.

7.1.2 Natural Hazard Disclosure Requirement Compliance. Prior to the Closing, Contributor may be required to disclose if the Property lies within the following natural hazard areas or zones: (i) a special flood hazard area designated by the Federal Emergency Management Agency (California Civil Code Section 1102.17); (ii) an area of potential flooding (California Government Code Section 8589.4); (iii) a very high fire hazard severity zone (California Government Code Section 51183.5); (iv) a wildland area that may contain substantial forest fire risks and hazards (California Public Resources Code Section 4136); (v) an earthquake fault zone (California Public Resources Code Section 2621.9); or (vi) a seismic hazard zone (California Public Resources Code Section 2694). Company has been informed by Contributor that Contributor has engaged the services of Disclosure Source (the "**Natural Hazard Expert**") with respect to the Property to examine the maps and other information specifically made available to the public by government agencies for the purpose of enabling Contributor to fulfill its disclosure obligations, if and to the extent such obligations exist, with respect to the natural hazards referred to in California Civil Code Section 1103 and to report the result of its examination to

Company and Contributor in writing. The written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Contributor from its disclosure obligations referred to in this Section 7.1.2, if and to the extent such obligations exist, and, for the purpose of this Agreement, the provisions of California Civil Code Section 1103.4 regarding the non-liability of Contributor for errors or omissions not within its personal knowledge shall be deemed to apply and the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. In no event shall Contributor have any responsibility for matters not actually known to Contributor or of which Contributor should have known.

7.1.3 Condition of Property.

(a) Company acknowledges and agrees that Company's election to acquire the Property shall be based solely upon Company's inspection and investigation of the Property and all documents related thereto, or its opportunity to do so (as well as the representations and warranties of Contributor expressly set forth in this Agreement), and that upon the Closing, the Property shall be contributed on an "AS IS, WHERE IS" condition, without relying upon any representations or warranties, express, implied or statutory, of any kind other than the representations and warranties of Contributor expressly set forth in this Agreement or the Company Agreement. Without limiting the foregoing (and except as otherwise expressly set forth in this Agreement or the Company Agreement), Company acknowledges that neither Contributor nor any other party has made any representations or warranties, express or implied, on which Company is relying as to any matters, directly or indirectly, concerning the Property (or any portion thereof) including, without limitation, the land, the square footage of the Property, improvements and infrastructure, if any, development rights and exactions, expenses associated with the Property, taxes, assessments, bonds, permissible uses, title exceptions, water or water rights, topography, utilities, availability or capacity of utilities, general plan designations, zoning or other entitlement condition of the Property, soil, subsoil, drainage, environmental or building laws, rules or regulations, toxic waste or Hazardous Materials (as defined in Section 7.1.3(c) below) or any other matters affecting or relating to the Property. The Closing shall be conclusive evidence that (i) Company has fully and completely inspected (or has caused to be fully and completely inspected) the Property, (ii) Company accepts the Property as being in good and satisfactory condition and suitable for Company's purposes, and (iii) to Company's actual knowledge, the Property fully complies with Contributor's covenants and obligations hereunder.

(b) Except as otherwise expressly set forth in this Agreement or the Company Agreement, Company shall perform and rely solely upon its own investigation concerning the proposed use of the Property, the Property's fitness therefor, and the availability of such intended use under applicable statutes, ordinances, and regulations. Company further acknowledges and agrees that Contributor's cooperation with Company in connection with Company's due diligence review of the Property (or any portion thereof), whether by providing a title report, the Environmental Reports and other documents, or permitting inspection of the Property (or any portion thereof), shall not be construed as any warranty or representation, express or implied, of any kind with respect

to the Property (or any portion thereof), or with respect to the accuracy, completeness, or relevancy of any such documents.

(c) Without limiting the generality of the foregoing, as of the Closing (and subject to Section 7.1.5 below), Company hereby expressly waives, releases and relinquishes any and all claims, causes of action, rights and remedies Company, or its Affiliates (as defined below), or any of its and their respective directors, officers, managers, attorneys, employees, partners, members, shareholders or agents (collectively, the "**Company Parties**"), may now or hereafter have against Contributor, or its Affiliates, or any of its and their respective directors, officers, managers, attorneys, employees, partners, members, shareholders or agents (collectively, the "**Contributor Parties**"), whether known or unknown, with respect to any past, present or future presence or existence of Hazardous Materials on, under or about the Property or with respect to any past, present or future violations of any rules, regulations or laws, now or hereafter enacted, regulating or governing the use, handling, storage, release or disposal of Hazardous Materials, including, without limitation, (i) any and all rights Company may now or hereafter have to seek contribution from Contributor or the Contributor Parties under Section 113(f)(i) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("**CERCLA**"), as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C.A. § 9613), as the same may be further amended or replaced by any similar law, rule or regulation, (ii) any and all rights Company may now or hereafter have against Contributor or the Contributor Parties under the Carpenter-Presley-Tanner Hazardous Substances Account Act (California Health and Safety Code, Section 25300 et seq.), as the same may be further amended or replaced by any similar law, rule or regulation, (iii) any and all claims, whether known or unknown, now or hereafter existing, with respect to the Property under Section 107 of CERCLA (42 U.S.C.A. § 9607), and (iv) any and all claims, whether known or unknown, based on nuisance, trespass or any other common law or statutory provisions; provided, however that the above waiver, release and relinquishment will not apply to any claims, causes of action, rights or remedies Company may have against Contributor for breach of any express representation set forth in this Agreement. As used herein, the term "**Hazardous Material(s)**" includes, without limitation, any hazardous or toxic materials, substances or wastes, such as (A) those materials identified in Sections 66680 through 66685 and Sections 66693 through 66740 of Title 22 of the California Administrative Code, Division 4, Chapter 30, as amended from time to time, (B) those materials defined in Section 25501(j) of the California Health and Safety Code, (C) any materials, substances or wastes which are toxic, ignitable, corrosive or reactive and which are regulated by any local governmental authority, any agency of the state of California or any agency of the United States Government, (D) asbestos, (E) petroleum and petroleum-based products, (F) urea formaldehyde foam insulation, (G) polychlorinated biphenyls (PCBs), and (H) freon and other chlorofluorocarbons. As used herein, the term "**Affiliate**" means any person or entity which, directly or indirectly through one (1) or more intermediaries, controls or is controlled by or is under common control with another person or entity; the term "control" as used herein (including the terms "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to (i) vote more than fifty percent (50%) of the outstanding voting securities of such person or entity, or (ii) otherwise direct management policies of such person by contract or otherwise.

7.1.4 Release. As of the Closing (and subject to Section 7.1.5 below), Company hereby fully and irrevocably releases Contributor and the Contributor Parties from any and all claims that Company or the Company Parties may have or thereafter acquire against Contributor or the Contributor Parties for any cost, loss, liability, damage, expense, demand, action or cause of action (collectively, "**Claims**") arising from or related to any matter of any nature relating to, the Property including, without limitation, the physical condition of the Property, any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Materials and other environmental matters within, under or upon, or in the vicinity of the Property. The foregoing release by Company shall include, without limitation, any Claims Company or the Company Parties may have pursuant to any statutory or common law right Company may have to receive disclosures from Contributor, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the presence of Hazardous Materials on or beneath the Property, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes Claims of which Company is presently unaware or which Company does not presently suspect to exist in its favor which, if known by Company, would materially affect Company's release of Contributor and the Contributor Parties. In connection with the general release set forth in this Section 7.1.4, Company specifically waives the provisions of California Civil Code Section 1542, which provides as follows:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

_____ /
Company's Initials

7.1.5 Limitation on Release. Notwithstanding anything in this Section 7.1 to the contrary, the waivers, releases and relinquishment set forth herein shall not apply to (i) the representations and warranties of Contributor expressly set forth in this Agreement or the Company Agreement, (ii) the covenants of Contributor expressly set forth in this Agreement (which expressly survive the Closing); (iii) intentional fraud or intentional misrepresentation by Contributor; (iv) any Claims that arise in connection with or under the Company Agreement, the Builder Covenants or any other agreements entered into between Company and Contributor that remain effective following the Closing, (v) except for claims that Company has released under Section 7.1.3(c) above, claims of third parties based on events occurring prior to the Closing, (vi) any Claims that may arise against Contributor as a result of any interest it holds in other portions of the Project, (vii) any Claims to the extent arising from Contributor's ownership of the Re-Abandoned Well (as described in Section 7.2 below) prior to the Closing, or (viii) any Claims to the extent arising at any time from Contributor's operatorship of the Re-Abandoned Well.

7.1.6 Notice of Special Tax for CFD. Company acknowledges that the Tejon Ranch Public Facilities Financing Authority ("**TRPFFA**") established the Tejon Ranch

Public Facilities Financing Authority Community Facilities District No. 2008-1 (the "**CFD**"), pursuant to the Mello-Roos Community Facilities Act of 1982. The CFD was established for the purpose of financing the construction of certain infrastructure improvements (such as roads, sewer systems and water systems) and other improvements relating to or benefiting the Property. In connection with the formation of the CFD, the TRPFFA approved a "Rate and Method of Apportionment," which established the rate at which special taxes shall be levied against the portion of the Property encumbered by the CFD to pay debt service on bonds issued by the CFD (a copy of which has been provided to Company).

7.2 Re-Abandoned Well. Prior to the Closing, Contributor completed the re-abandonment of the oil well ("RST-88-30") that was previously located on the Property (the "**Re-Abandoned Well**") in accordance with the requirements of the California Geologic Energy Management Division. Following its acquisition of the Property, Company shall install a venting system and passive monitoring equipment for the Re-Abandoned Well. Company hereby agrees not to disturb, or to allow any other party to disturb, the Re-Abandoned Well on or after the Closing. Company shall allow Contributor access to the Property during normal business hours (i) to monitor the Re-Abandoned Well, (ii) to perform any repairs or maintenance required for the Re-Abandoned Well, and (iii) to take any actions with respect to the Re-Abandoned Well required by any governmental agency or authority. Contributor hereby agrees to indemnify, defend, protect and hold harmless the Company from and against any third-party Claims to the extent arising from Contributor's ownership of the Re-Abandoned Well prior to the Closing, and (ii) any third-party Claims to the extent arising at any time from Contributor's operatorship of the Re-Abandoned Well (except to the extent any such Claims are caused by the acts or omissions of DP Member or any agent thereof). The terms and obligations of this Section 7.2 shall expressly survive the Closing.

To the extent the terms of this Agreement conflict with the terms of the Company Agreement, the terms of this Agreement shall control.

8. Contributor's Representations and Warranties.

8.1 Representations and Warranties. As of the Effective Date and as of the Close of Escrow, each of the statements in this Section 8.1 shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein. Contributor hereby represents and warrants as follows for the sole and exclusive benefit of Company, each of which is material and is being relied upon by Company as of the Effective Date and as of the Close of Escrow:

8.1.1 Due Formation. Contributor is a duly organized corporation validly existing and in good standing under the laws of the State of California and has the requisite power and authority to enter into and carry out the terms of this Agreement.

8.1.2 Required Actions. All corporate action required to be taken by Contributor to execute and deliver this Agreement has been taken by Contributor and no further approval of any member, partner, shareholder, manager, officer, board, court, or other body is necessary to permit Contributor to execute and deliver this Agreement.

8.1.3 Binding Obligation. This Agreement and all other documents to be executed and delivered by Contributor pursuant to the terms of this Agreement will on the date

such Agreement and documents are fully executed and delivered constitute legal, valid, and binding obligations of Contributor, enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting generally the enforcement of creditors' rights, and statutes or rules of equity concerning the enforcement of the remedy of specific performance (collectively, the "**Enforceability Exceptions**").

8.1.4 No Consent. No notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any person, is necessary in connection with (i) the execution and delivery of this Agreement by Contributor, or (ii) the consummation and performance by Contributor of the transactions contemplated by this Agreement.

8.1.5 Violation of Law. Neither the execution and delivery of this Agreement by Contributor, nor the consummation by Contributor of the transactions contemplated hereby, nor compliance by Contributor with any of the provisions hereof will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which Contributor is a party as of the Effective Date or the Close of Escrow, as applicable, or to which Contributor or the Property may be subject as of the Effective Date or the Close of Escrow, as applicable, or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Contributor or the Property as of the Effective Date or the Close of Escrow, as applicable.

8.1.6 No Litigation. To the Actual Knowledge of Contributor (as defined in Section 8.2 below), there is no litigation, arbitration, legal or administrative suit, action, proceeding or investigation of any kind, pending or threatened in writing (nor any basis therefor), which questions, directly or indirectly, the validity or enforceability of this Agreement as to Contributor.

8.1.7 Compliance with Laws. To the Actual Knowledge of Contributor, neither Contributor nor any of the Contributor Parties have received any written notice that the Property is currently in violation of any federal, state or local law, statute, ordinance, rule or regulation.

8.1.8 Proceedings. There are no lawsuits, actions, arbitrations or proceedings (including, without limitation, condemnation proceedings) pending and served, or, to the Actual Knowledge of Contributor, threatened which affect the Property.

8.1.9 No Leases or Other Property Reports. Contributor has not entered into any leases or other agreements (whether oral or written) affecting or relating to the rights of any party with respect to the possession, use or occupation of the Property or any portion thereof which will be in effect after the Close of Escrow, except for (i) any matters included in the Permitted Exceptions, and (ii) any matters that were otherwise disclosed in writing prior to the Effective Date. Contributor has not granted any person or entity (other than Company pursuant to this Agreement) the right to acquire, lease, encumber or obtain any interest in the Property, except

for (A) any matters included in the Permitted Exceptions, and (B) any matters that were otherwise disclosed in writing prior to the Effective Date.

8.1.10 Documents and Materials. All of the documents and other materials relating to the physical and environmental condition of the Property delivered by Contributor to Company on or prior to the Effective Date are true and complete copies of such documents and other materials in Contributor's possession (provided Contributor makes no representation or warranty as to the accuracy of any information contained in such documents or materials).

8.1.11 No Contracts. There are no contracts, warranties, guaranties, bonds or other agreements relating to the Property as of the Effective Date that affect or will affect the Property, except for (i) any matters included in the Permitted Exceptions, and (ii) any matters that were otherwise disclosed in writing prior to the Effective Date.

8.1.12 Environmental. There are no legal actions that have been served and are currently pending against Contributor or to the Actual Knowledge of Contributor against any of the Contributor Parties alleging that the Property contains Hazardous Materials that are in violation of applicable environmental laws, and to the Actual Knowledge of Contributor, other than as may be disclosed in the Environmental Reports, (i) there are no Hazardous Materials located on or under the Property in violation of applicable environmental laws, and (ii) there are no legal actions that have been threatened against Contributor or to the Actual Knowledge of Contributor against any of the Contributor Parties alleging that the Property contains Hazardous Materials that are in violation of applicable environmental laws. To the Actual Knowledge of Contributor, the Environmental Reports constitute all of the final reports concerning environmental matters with respect to the Property that are in Contributor's possession or control.

8.1.13 Most Knowledgeable Individuals. Contributor's Representatives are the individuals employed or affiliated with Contributor that have the most knowledge and information regarding the representations and warranties made in this Section 8.1.

8.1.14 No Untrue Statements. To the Actual Knowledge of Contributor, no representation, warranty or covenant of Contributor in this Agreement contains or will contain any untrue statement of material facts or omits or will omit to state material facts necessary to make the statements or facts contained therein not misleading.

8.2 Actual Knowledge of Contributor. The term "**Actual Knowledge of Contributor**" means the actual present knowledge of Contributor's Representatives without regard to any imputed or constructive knowledge and without any duty of inquiry or investigation. In no event shall any of Contributor's Representatives have any liability for the breach of any of the representations or warranties set forth in this Agreement.

8.3 Survival. The representations and warranties of Contributor set forth in Section 8.1.7 (Compliance with Laws) through Section 8.1.12 (Environmental) (collectively, the "**Property Representations and Warranties**") shall survive for a period of one (1) year after the Close of Escrow. No claim for a breach of any of the Property Representations or Warranties will be actionable or payable if (i) DP Member, on behalf of the Company, does not notify Contributor in writing of such breach and commence a "legal action" thereon within one (1) year after the

Close of Escrow, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Company and to DP Member prior to the Close of Escrow.

8.4 Limitations. Notwithstanding anything to the contrary contained in this Agreement, (i) the maximum aggregate liability of Contributor, and the maximum aggregate amount which may be awarded to and collected by Company and/or any other party (including, without limitation, DP Member) for any breach of any of the Property Representations and Warranties shall, under no circumstances whatsoever, exceed ten percent (10%) of the "Agreed Value" (as defined in the Company Agreement) of the Property (the "**CAP Amount**"); and (ii) no claim by Company (and/or any other party) alleging a breach by Contributor of any of the Property Representations and Warranties may be made, and Contributor shall not be liable for, any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Company alleging a breach by Contributor of any such Property Representation and Warranty, is for an aggregate amount in excess of Fifty Thousand Dollars ($50,000) (the "**Floor Amount**"), in which event Contributor's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the CAP Amount set forth in clause (i) above provided, however, that if any such final judgment is for an amount that is less than or equal to the Floor Amount, then Contributor shall have no liability with respect thereto.

9. Company's Representations and Warranties.

9.1 Representations and Warranties. As of the Effective Date and as of the Close of Escrow, each of the statements in this Section 9.1 shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein. Company hereby represents and warrants as follows for the sole and exclusive benefit of Contributor, each of which is material and is being relied upon by Contributor as of the Effective Date and as of the Close of Escrow:

9.1.1 Due Formation. Company is a duly organized limited liability company validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority to enter into and carry out the terms of this Agreement.

9.1.2 Required Actions. All limited liability company action required to be taken by Company to execute and deliver this Agreement has been taken and no further approval of any member, partner, shareholder, manager, officer, board, court, or other body is necessary to permit Company to execute and deliver this Agreement.

9.1.3 Binding Obligation. This Agreement and all other documents to be executed and delivered by Company pursuant to the terms of this Agreement will on the date such Agreement and documents are fully executed and delivered constitute legal, valid, and binding obligations of Company, enforceable in accordance with their terms, except as such enforceability may be limited by any Enforceability Exception.

9.1.4 No Consent. No notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any person, is necessary in connection with (i) the execution and

delivery of this Agreement, or (ii) the consummation and performance by Company of the transactions contemplated by this Agreement.

9.1.5 Violation of Law. Neither the execution and delivery of this Agreement, nor the consummation by Company of the transactions contemplated hereby, nor compliance by Company with any of the provisions hereof will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which Company is a party or to which Company may be subject, or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Company.

9.1.6 No Litigation. To the Actual Knowledge of Company (as defined in Section 9.2 below), there is no litigation, arbitration, legal or administrative suit, action, proceeding or investigation of any kind, pending or threatened in writing (nor any basis therefor), which questions, directly or indirectly, the validity or enforceability of this Agreement to Company.

9.1.7 Most Knowledgeable Individuals. Company's Representatives are the individuals employed or affiliated with Company that have the most knowledge and information regarding the representations and warranties made in this Section 9.1.

9.1.8 No Untrue Statements. To the Actual Knowledge of Company, no representation, warranty or covenant of Company in this Agreement contains any untrue statement of material facts or omits to state material facts necessary to make the statements or facts contained therein not misleading.

9.2 Actual Knowledge of Company. The term "**Actual Knowledge of Company**" means the actual present knowledge of Company's Representatives without regard to any imputed or constructive knowledge and without any duty of inquiry or investigation. In no event shall any of Company's Representatives have any liability for the breach of any of the representations or warranties set forth in this Agreement.

10. Notices.

All notices or other communications required or permitted hereunder shall be in writing, and shall be delivered or sent, as the case may be, by any of the following methods: (i) personal delivery, (ii) overnight commercial carrier, (iii) registered or certified mail, postage prepaid, return receipt requested, (iv) facsimile, or (v) email. Any such notice or other communication shall be deemed received and effective upon the earlier of (A) if personally delivered, the date of delivery to the address of the person to receive such notice; (B) if delivered by overnight commercial carrier, one (1) day following the receipt of such communication by such carrier from the sender, as shown on the sender's delivery invoice from such carrier; (C) if mailed, on the date of delivery as shown by the sender's registry or certification receipt; (D) if given by facsimile, when sent; or (E) if given by email, when sent. Any notice or other communication sent by facsimile or email must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with

the foregoing to be effective. Any reference herein to the date of delivery, receipt, giving, or effective date, as the case may be, of any notice or other communication shall refer to the date such communication becomes effective. Notices shall be addressed as follows:

To Contributor:	At Contributor's Notice Address set forth in Section 3 of Article I above
With copies to:	Allen Matkins Leck Gamble Mallory & Natsis LLP 2010 Main Street, 8th Floor Irvine, California 92614 Attention: Paul D. O'Connor, Esq. Email: poconnor@allenmatkins.com
To Company:	At Company's Notice Address set forth in Section 4 of Article I above
With copies to:	TRC-DP 1, LLC c/o Dedeaux Properties 1222 6th Street Santa Monica, California 90401 Attn: Brett Dedeaux and Jordan Monsour Emails: brettd@dedeauxproperties.com; jordanm@dedeauxproperties.com
To Escrow Holder:	At Escrow Holder's Address set forth in Section 5 of Article I above

Notice of change of address shall be given by written notice in the manner detailed in this Section 10. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice or other communication sent.

11. Broker Commissions.

Company and Contributor hereby represent and warrant to the other that no broker or finder has been engaged by the representing party, and no finder, brokerage, advisory, or other fee has been incurred by such representing party, in connection with the parties entering into this Agreement or the Company Agreement, or in connection with conveying the Property to Company, or to such representing party's knowledge is in any way connected with the parties entering into this Agreement. If any such claims for fees of brokers, finders, advisors, or other such third parties arise from or are connected with the consummation of this Agreement, then Company and Contributor shall indemnify, defend, and hold the other harmless from and against such claims if they shall be based upon any statement, representation, or agreement by the indemnifying party. The terms and obligations of this Section 11 shall expressly survive the Closing.

12. Default.

12.1 Default by Contributor. If Contributor fails to perform any of the material covenants or agreements contained herein which are to be performed by Contributor, then DP Member, on behalf of the Company, may, at its option and as its exclusive remedy, either (i) terminate this Agreement by giving written notice of termination to Contributor and Contributor shall pay to DP Member an amount, not to exceed Fifty Thousand Dollars ($50,000) to reimburse DP Member for the actual, third party, out-of-pocket expenses incurred by DP Member in connection with its investigations and due diligence review of the Property and the negotiation of this Agreement, and the parties shall have no further rights or obligations to one another under or with respect to this Agreement (except to the extent any such rights or obligations expressly survive the termination of this Agreement), or (ii) seek specific performance of this Agreement. If DP Member, on behalf of the Company, elects the remedy in clause (ii) above, then Company must commence and file such specific performance action in the appropriate court not later than thirty (30) days following the Closing Date. The foregoing shall not limit the rights and obligations of the parties to the Company Agreement arising from a default by Contributor hereunder.

12.2 Default by Company.

12.2.1 Caused by DP Member. If Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of DP Member, then Contributor shall be entitled to pursue any remedies available at law or in equity against Company. Nothing herein shall limit TRC Member's rights (in its capacity as a member of Company) under the Company Agreement in the event of a default by DP Member under the Company Agreement. Notwithstanding any other provision of this Agreement, Company shall not be deemed to be in breach or default hereunder if Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of Contributor whether under this Agreement or the Company Agreement.

12.2.2 Caused by TRC Member. If Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of TRC Member (in its capacity as a member of Company), then Company shall have the same remedies as set forth in Section 12.1 above for a default by Contributor; provided, however, that the prosecution, management, and control of any action relating to such default shall be vested solely in DP Member subject to, and in accordance with, the terms of Section 2.15 of the Company Agreement. Nothing contained in this Agreement shall limit DP Member's rights under the Company Agreement in the event of a default by Contributor (in its capacity as a member of Company) under the Company Agreement.

12.3 No Consequential Damage. Except as set forth below in this Section 12.3, no party to this Agreement shall have any liability for any punitive damages, lost profits, special damages or consequential damages based on any default or alleged default by any other party under this Agreement. The provisions of the preceding sentence shall not limit the potential liability of Contributor (i) if specific performance of the acquisition of the Property by Company has been made impossible or impracticable due to Contributor's intentional wrongful acts, (ii) for any punitive damages, lost profits, special damages or consequential damages based on the intentional fraud of Contributor, or (iii) for any punitive damages, lost profits, special damages or

consequential damages based on the intentional fraud of Company resulting from the acts or omissions of DP Member.

13. Assignment.

Neither party hereto shall have the right to assign all or any part of its interest in this Agreement created pursuant hereto without the express prior written consent of the other party hereto, which consent may be withheld in each such party's sole and absolute discretion. The foregoing provisions of this Section 13 shall not limit or restrict the rights of any party under the Company Agreement. DP Member is an express third party beneficiary of this Agreement with respect to the provisions hereof that expressly reference DP Member.

14. Miscellaneous.

14.1 Governing Law. The provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of California. Subject to Section 14.6 below, Contributor and Company hereby irrevocably consent to the exclusive jurisdiction of the state and federal courts located in California and to the exclusive venue of Kern County Superior Court and the District Court for the Eastern District of California for any action or proceeding arising out of, or relating to, this Agreement to the maximum extent allowed by law.

14.2 Preservation of Intent. If any provision of this Agreement is determined by any court having jurisdiction to be illegal or in conflict with any laws of any state or jurisdiction, then the parties agree that such provision shall be modified to the extent legally possible so that the intent of this Agreement may be legally carried out. If any provision contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect or for any reason, then the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that all of the parties' rights and privileges shall be enforceable to the maximum extent permitted by law.

14.3 Waiver. No consent or waiver, express or implied, by a party to or of any breach or default by any other party in the performance by such other party of such other party's obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party hereunder. Failure on the part of a party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such non-complaining or non-declaring party of the latter's rights hereunder.

14.4 Successors and Assigns. Subject to the provisions of Section 13 above, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

14.5 Attorneys' Fees. If any litigation, arbitration or other proceeding is commenced between or among the parties or their representatives in any way arising out of, or relating to, this Agreement, then the prevailing party or parties shall be entitled, in addition to such other relief as may be granted, to have and recover from the other party or parties reasonable attorneys' fees and all costs, taxable or otherwise, including, without limitation, those for expert

witnesses, of such action. Any judgment or order entered in any legal proceeding shall contain a specific provision providing for the recovery of all costs and expenses of suit including, without limitation, reasonable attorneys' fees, costs and expenses incurred in connection with (i) enforcing, perfecting and executing such judgment; (ii) post judgment motions; (iii) contempt proceedings; (iv) garnishment, levee, and debtor and third-party examinations; (v) discovery; and (vi) bankruptcy litigation.

14.6 Arbitration. Any action to resolve any controversy or claim arising out of, or related to in any way to, this Agreement, including, without limitation, any alleged breach of this Agreement and any claim based upon any tort theory, however characterized shall be resolved through a binding arbitration before an arbitrator in accordance with the terms of Section 13.18 of the Company Agreement, which terms are incorporated herein by reference. Contributor and Company shall each be treated as a "member" under Section 13.18 of the Company Agreement solely for purposes of determining the rights, duties and obligations of Contributor and Company under such arbitration provisions.

14.7 Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF CONTRIBUTOR AND COMPANY HEREBY WAIVES EACH SUCH PARTY'S RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY CONTRIBUTOR OR COMPANY AGAINST THE OTHER OF SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF CONTRIBUTOR AND COMPANY AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY AN ARBITRATOR AS PROVIDED ABOVE BUT THIS WAIVER SHALL BE EFFECTIVE EVEN IF, FOR ANY REASON WHATSOEVER, SUCH CLAIM OR CAUSE OF ACTION CANNOT BE TRIED BY SUCH ARBITRATOR. WITHOUT LIMITING THE FOREGOING, EACH OF CONTRIBUTOR AND COMPANY FURTHER AGREES THAT EACH SUCH PARTY'S RIGHT TO A TRIAL BY JURY IS WAIVED TO THE MAXIMUM EXTENT ALLOWED BY LAW BY OPERATION OF THE FOREGOING AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS AGREEMENT.

_____/_____	_____
COMPANY'S INITIALS	CONTRIBUTOR'S INITIALS

14.8 Entire Agreement. The Company Agreement and this Agreement (including all exhibits and schedules attached hereto) are the final expression of, and contain the entire agreement between, the parties with respect to the subject matter hereof and supersede all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as

otherwise expressly permitted herein. This Agreement may be executed in one (1) or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

14.9 Time of Essence/Business Days. Contributor and Company hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not Saturday, Sunday or a legal holiday. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or a legal holiday, under the laws of the State of California, then the termination of such period shall be on the next succeeding business day.

14.10 Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits and schedules referred to in this Agreement are attached and incorporated by this reference.

15. Scope of Representation.

Contributor and Company each acknowledge and agree that (i) Allen Matkins Leck Gamble Mallory & Natsis LLP has only represented the interests of Contributor, and has not represented DP Member, Company or any other party, (ii) Cozen O'Connor has only represented the interests of DP Member, in its capacity as a member of Company, and has not represented Contributor, Company or any other party, and (iii) Company has decided not to retain separate counsel to represent its interest in connection with this Agreement and the transactions contemplated herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Contributor and Company have executed this Contribution Agreement and Joint Escrow Instructions as of the Effective Date.

"Contributor"

TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name: _____
Its: _____

"Company"

TRC-DP 1, LLC,
a Delaware limited liability company

By: TRCC-West One, LLC,
a California limited liability company
Its: Member

By:_____
Name: _____
Its: _____

By: DP NOJET, LLC,
a Delaware limited liability company
Its: Member

By: _____
Name: _____
Its: _____

JOINDER BY ESCROW HOLDER

Escrow Holder hereby acknowledges that it has received this Agreement executed by Contributor and Company and accepts the obligations of and instructions for Escrow Holder set forth herein. Escrow Holder agrees to disburse and/or handle any and all funds and documents in accordance with this Agreement.

Dated: _____, 202_

_____

By: _____
Name: _____
Title: _____

CONTRIBUTION AGREEMENT EXHIBITS

[Exhibits "A" through "I" will be attached to the Contribution Agreement prior to the Closing in the form approved by the parties on October 4, 2024]

CONTRIBUTION AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

between

TEJON INDUSTRIAL CORP.,
a California corporation,

as Contributor

and

TRC-DP 1, LLC,
a Delaware limited liability company,

as Company

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EXHIBIT "E"

DESCRIPTION OF MASTER DEVELOPER WORK

- All public improvements required for the development and construction of Wheeler Ridge Road, Santa Dorlores and along the eastern property fronting Del Oro Drive, including permits, fees, street construction, utility connections, sidewalks, streetlights, fire hydrants and any other related infrastructure.

- All public improvements required for the development and construction of modifications to the median and any required lane additions or widening along Wheeler Ridge Road required by the public improvement permits for development of the Property.

- The development and construction of "Basin A" to receive storm water from the Property and adjacent properties south and north of the Property including necessary excavation, grading and storm water pipe connections and any other related infrastructure.

- Any required offsite street development and construction not within the boundary of the Property or adjacent to Wheeler Ridge Road required by Kern County relating to the development of the Property.

EXHIBIT "F"

[Intentionally Deleted]

EXHIBIT "G"

LIST OF TRC PRE-FORMATION CONTRACTS AND CONSULTANTS

HPA – Architecture, Structural, MEP, Landscape, Acoustical

David Evans & Associates – Civil Engineering

Nexus 3D – Topo/Survey

Dudek – Biological Assessment, Site Plan Compliance Support

GeoKinetics – Oil Well Vent Engineering

WZI – Air & Specific Plan Caps Tracking

RLH – Fire Protection & Fire Alarm Design

PG&E – 1B Service Application

EXHIBIT "H"

LIST OF DP PRE-FORMATION CONTRACTS AND CONSULTANTS

Partners – Phase I & II ESA, Methane Vapor Testing

EXHIBIT "I"

RIGHT OF FIRST REFUSAL

Except for transfers permitted by Sections 6.02(a), (b), (c) and (d) each time a Member (an "Offeror") proposes to voluntarily transfer, assign, convey, sell, or otherwise dispose of its entire Interest (an "Offered Interest"), such Offeror shall first offer such Offered Interest to the non-transferring Member in accordance with the following provisions:

(a) The Offeror shall deliver a written notice (the "Offer Notice") to the non-transferring Member stating (i) such Offeror's bona fide intention to transfer the Offered Interest, (ii) the name and address of the proposed transferee, and (iii) the purchase price and terms of payment for which the Offeror proposes to transfer the Offered Interest. The Offer Notice shall constitute a revocable offer by the Offeror to sell the Offered Interest to the other Member on the terms and conditions set forth in this Exhibit "I."

(b) Within thirty (30) days after receipt of the Offer Notice, the non-transferring Member shall have the right, but not the obligation, to elect to purchase the entire Offered Interest for the price and upon the terms and conditions set forth in the Offer Notice by delivering written notice of such election (the "Purchase Election") to the Offeror. The failure of non-transferring Member to submit a written notice within such thirty (30) day period shall constitute an irrevocable rejection of the offer made by the Offeror to sell the Offered Interest to the non-transferring Member.

(c) If the non-transferring Member timely elects to purchase the entire Offered Interest prior to the Offeror's written revocation of the offer, then the Offered Interest shall be sold to the non-transferring Member upon the terms and conditions set forth in the Offer Notice including, without limitation, price, terms of payment and closing date; provided, however, if the terms of the proposed transfer include the payment by the Offeror of a commission, then the purchase price shall be reduced by the amount of such commission. The Offeror and the non-transferring Member shall execute such documents and instruments and make such deliveries as may be reasonably required to consummate the transfer. Notwithstanding any other provisions of this Exhibit "I," the Offeror shall make the representations and warranties set forth in Section 8.07 of the Agreement at the closing for the purchase and sale of the Offered Interest.

(d) If the non-transferring Member does not timely elect to purchase the entire Offered Interest (or if the non-transferring Member breaches its obligation to purchase the entire Offered Interest), then the Offeror may transfer the entire Offered Interest to the proposed transferee described in the Offer Notice, provided such transfer (i) is completed within ninety (90) days after the expiration of the non-transferring Member's right to purchase the Offered Interest (or within 90 days following the breach by the non-transferring Member of its obligation to purchase the entire Offered Interest, if applicable), (ii) is made at the price and on terms and conditions no less favorable to the Offeror than as described in the Offer Notice, (iii) would not constitute a default or breach by the Company under any loan agreement or document to which the Company is a party (unless the lender consents to such transfer), and (iv) the requirements of Section 6.03 are met. If the Offered Interest is not so transferred within such ninety (90)-day

period, then the Offeror shall be required to comply again with the provisions of this Exhibit "I" prior to voluntarily transferring, assigning, conveying, selling or otherwise disposing of the Offered Interest to any Person (except for any transfer to any Person permitted by Sections 6.02(a), (b), (c) and (d) above). In addition, in the event of a breach by the non-transferring Member of its obligation to purchase, such non-transferring Member shall not have a right to elect to purchase an Offered Interest with respect to a transfer of an Interest which is consummated within one (1) year after such breach.

(e) If any transferee purchases an Interest pursuant to the procedure described in this Exhibit "I," then such transferee shall be admitted to the Company as a substituted member upon the closing of such purchase and sale and the satisfaction of the requirements of Section 6.03.

EXHIBIT "J"

LEGAL DESCRIPTION OF PARCEL 1A

THE WESTERLY THIRTY-ONE AND 54/100THS (31.54) GROSS ACRES OF LOT B OF LLA 10-23, WITH TWENTY-SIX AND 87/100THS (26.87) NET ACRES AFTER ROAD RIGHT-OF-WAY DEDICATIONS.

EXCEPTING THEREFROM, WITH NO RIGHT TO SURFACE ENTRY (I) ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, ALL GOLD, SILVER, PRECIOUS AND SEMI-PRECIOUS METALS, STONES AND OTHER SIMILAR MINERALS, ALL SAND, GRAVEL, ROCK, CONCRETE AGGREGATE AND OTHER SIMILAR MATERIALS, AND ALL OTHER HYDROCARBONS, MINERALS OR MATERIALS, OR PRODUCTS THEREOF, OF WHATEVER KIND OR CHARACTER (COLLECTIVELY "MINERALS"), WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED (IT BEING INTENDED THAT THE WORD "MINERALS" AS USED HEREIN SHALL BE DEFINED IN THE BROADEST SENSE OF THE WORD AND SHALL INCLUDE, WITHOUT LIMITATION, ALL HYDROCARBONS, MINERALS OR MATERIALS, OR PRODUCTS THEREOF, METALLIC AND NONMETALLIC, SOLID, LIQUID OR GASEOUS), WHICH ARE UPON, IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (II) ALL SALT WATER WHICH IS IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (III) THE EXCLUSIVE RIGHT, BY WHATEVER METHODS NOW OR HEREAFTER KNOWN, AS GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, MAY DEEM ADVISABLE, TO PROSPECT FOR, INVESTIGATE FOR, EXPLORE FOR, DRILL FOR, PRODUCE, MINE, EXTRACT, REMOVE AND REDUCE TO POSSESSION AND OWNERSHIP, ALL MINERALS AND SALT WATER WHICH ARE UPON, IN, UNDER OR MAY BE PRODUCED FROM THE PROPERTY; (IV) THE EXCLUSIVE RIGHT TO DRILL INTO AND THROUGH THE PROPERTY TO EXPLORE FOR AND THEREAFTER PRODUCE AND EXTRACT MINERALS WHICH MAY BE PRODUCED FROM NEIGHBORING LANDS; (V) THE EXCLUSIVE RIGHT TO PRODUCE AND EXTRACT MINERALS BY REPRESSURING THE SUBSURFACE SANDS AND STRATA WITH FLUIDS OR GASES OR BY SUCH OTHER METHOD OR METHODS AS GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, MAY DEEM ADVISABLE, AND TO INJECT IN AND STORE AND THEREAFTER REMOVE SUCH FLUIDS AND GASES, WHETHER OR NOT INDIGENOUS TO THE PROPERTY; (VI) THE RIGHT AT ALL TIMES, AND WITHOUT CHARGE, TO INVESTIGATE FOR, EXPLORE FOR, DRILL FOR, PRODUCE, REMOVE AND REDUCE TO POSSESSION AND OWNERSHIP, THOSE QUANTITIES OF FRESH WATER FROM AQUIFERS UNDERLYING THE PROPERTY DEEMED NECESSARY BY GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, TO USE IN PROSPECTING, EXPLORING, DRILLING, MINING, PRODUCING, EXTRACTING AND REMOVING (INCLUDING, WITHOUT LIMITATION, TO USE IN UNIT OPERATIONS, WATER FLOOD, THERMAL OR OTHER SECONDARY RECOVERY METHODS NOW OR HEREAFTER KNOWN), OR OTHER OPERATIONS IN CONNECTION WITH THE FULL ENJOYMENT AND EXERCISE OF THE RIGHTS HEREIN EXCEPTED AND RESERVED; AND (VII) THE RIGHT TO EXERCISE ALL RIGHTS HEREIN EXCEPTED AND RESERVED AND ANY AND ALL OTHER RIGHTS UPON THE PROPERTY INCIDENTAL

TO OR CONVENIENT, WHETHER ALONE OR CO-JOINTLY WITH NEIGHBORING LANDS, IN EXPLORING FOR, PRODUCING AND EXTRACTING THE MINERALS AND SALT WATER HEREIN EXCEPTED AND RESERVED. ALSO EXCEPTING THEREFROM (I) ALL WATER, INCLUDING GROUNDWATER, AND ALL WATER RIGHTS, WHETHER CHARACTERIZED AS RANCHO RIGHTS, RIPARIAN, OVERLYING, CORRELATIVE, APPROPRIATE, PRESCRIPTIVE OR OTHERWISE, AND WHETHER OR NOT APPURTENANT, AND WHETHER ON THE SURFACE, BELOW THE SURFACE OR BORDERING THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE RESERVATION OF ALL RIGHTS TO DIVERT WATER FROM WATER SOURCES ON THE PROPERTY AND TO PUMP, TAKE OR OTHERWISE EXTRACT OR USE GROUNDWATER FROM BELOW THE SURFACE OF THE PROPERTY, THROUGH WELLS ACCESSING ANY WATER TABLE OR BASIN UNDERLYING THE PROPERTY, WHETHER SUCH GROUNDWATER IS PERCOLATING OR LOCATED IN AN UNDERGROUND CHANNEL, AND WHETHER SUCH WATER IN NATIVE OR FOREIGN; (II) ANY SHARES OF STOCK EVIDENCING ANY SUCH WATER RIGHTS; AND (III) ALL FIXTURES AND EQUIPMENT NOW USED FOR THE PRODUCTION OR DISTRIBUTION OF WATER ON, OR FOR THE IRRIGATION OR DRAINAGE OF, THE PROPERTY. THIS RESERVATION APPLIES WHETHER SUCH RIGHTS WERE HISTORICALLY EXERCISED OR REMAIN INCHOATE, AND WHETHER SUCH RIGHTS HAVE BEEN ADJUDICATED, AS RESERVED BY TEJON RANCHCORP, A CALIFORNIA CORPORATION IN A DEED RECORDED JANUARY 14, 2008 AS INSTRUMENT NO. 0208005797 OF OFFICIAL RECORDS.

LIMITED LIABILITY COMPANY AGREEMENT
OF
TRC-DP 1, LLC

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, 15 U.S.C. § 15b ET SEQ., AS AMENDED (THE "FEDERAL ACT"), IN RELIANCE UPON ONE (1) OR MORE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE FEDERAL ACT. IN ADDITION, THE ISSUANCE OF THIS SECURITY HAS NOT BEEN QUALIFIED UNDER THE DELAWARE SECURITIES ACT, THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968 OR ANY OTHER STATE SECURITIES LAWS (COLLECTIVELY, THE "STATE ACTS"), IN RELIANCE UPON ONE (1) OR MORE EXEMPTIONS FROM THE REGISTRATION PROVISIONS OF THE STATE ACTS. IT IS UNLAWFUL TO CONSUMMATE A SALE OR OTHER TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN TO, OR TO RECEIVE ANY CONSIDERATION THEREFOR FROM, ANY PERSON OR ENTITY WITHOUT THE OPINION OF COUNSEL FOR THE COMPANY THAT THE PROPOSED SALE OR OTHER TRANSFER OF THIS SECURITY DOES NOT AFFECT THE AVAILABILITY TO THE COMPANY OF SUCH EXEMPTIONS FROM REGISTRATION AND QUALIFICATION, AND THAT SUCH PROPOSED SALE OR OTHER TRANSFER IS IN COMPLIANCE WITH ALL APPLICABLE STATE AND FEDERAL SECURITIES LAWS. THE TRANSFER OF THIS SECURITY IS FURTHER RESTRICTED UNDER THE TERMS OF THE LIMITED LIABILITY COMPANY AGREEMENT GOVERNING THE COMPANY, A COPY OF WHICH IS ON FILE WITH THE COMPANY.

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EXHIBITS

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: November 7, 2024

/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, Brett A. Brown, 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: November 7, 2024

/s/ Brett A. Brown
Brett A. Brown
Executive Vice President and 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 September 30, 2024 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: November 7, 2024

/s/ Gregory S. Bielli
Gregory S. Bielli
President and Chief Executive Officer

/s/ Brett A. Brown
Brett A. Brown
Executive Vice President and Chief Financial Officer

/s/ Robert D. Velasquez
Robert D. Velasquez
Senior Vice President and Chief Accounting Officer