

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 March 31, 2022

OR

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



TEJON RANCH CO.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0196136

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

(661) 248-3000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the Company's outstanding shares of Common Stock on April 30, 2022 was 26,481,691.

TEJON RANCH CO. AND SUBSIDIARIES
TABLE OF CONTENTS

		Page
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2022 and 2021	3
	Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2022 and 2021	4
	Consolidated Balance Sheets as of March 31, 2022 (unaudited) and December 31, 2021	5
	Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2022 and 2021	6
	Unaudited Consolidated Statement of Changes in Equity and Noncontrolling Interests for the Three Months Ended March 31, 2022 and 2021	8
	Notes to Unaudited Consolidated Financial Statements	9
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	43
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	44
Item 1A.	Risk Factors	44
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3.	Defaults Upon Senior Securities	44
Item 4.	Mine Safety Disclosures	44
Item 5.	Other Information	44
Item 6.	Exhibits	44
SIGNATURES		48

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Real estate - commercial/industrial	\$ 7,349	\$ 2,228
Mineral resources	11,968	7,176
Farming	655	607
Ranch operations	1,048	1,043
Total revenues	21,020	11,054
Costs and Expenses:		
Real estate - commercial/industrial	2,736	1,552
Real estate - resort/residential	423	553
Mineral resources	7,157	5,047
Farming	1,762	1,478
Ranch operations	1,315	1,187
Corporate expenses	2,415	2,291
Total expenses	15,808	12,108
Operating income (loss)	5,212	(1,054)
Other Income:		
Investment income	17	7
Other income, net	918	64
Total other income	935	71
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	6,147	(983)
Equity in earnings (losses) of unconsolidated joint ventures, net	1,213	(59)
Income (loss) before income tax expense	7,360	(1,042)
Income tax expense	3,046	21
Net income (loss)	4,314	(1,063)
Net income (loss) attributable to non-controlling interest	7	(8)
Net income (loss) attributable to common stockholders	\$ 4,307	\$ (1,055)
Net income (loss) per share attributable to common stockholders, basic	\$ 0.16	\$ (0.04)
Net income (loss) per share attributable to common stockholders, diluted	\$ 0.16	\$ (0.04)

See accompanying notes.

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

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ 4,314	\$ (1,063)
Other comprehensive (loss) gain:		
Unrealized loss on available-for-sale securities	(68)	(10)
Unrealized gain on interest rate swap	2,553	2,203
Other comprehensive gain before taxes	2,485	2,193
Expense for income taxes related to other comprehensive income items	(695)	(613)
Other comprehensive gain	1,790	1,580
Comprehensive income	6,104	517
Comprehensive income (loss) attributable to non-controlling interests	7	(8)
Comprehensive income attributable to common stockholders	\$ 6,097	\$ 525

See accompanying notes.

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

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 36,705	\$ 36,195
Marketable securities - available-for-sale	19,537	10,983
Accounts receivable	3,275	6,473
Inventories	8,270	5,702
Prepaid expenses and other current assets	4,235	3,619
Total current assets	72,022	62,972
Real estate and improvements - held for lease, net	17,207	17,301
Real estate development (includes \$113,014 at March 31, 2022 and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 15)	321,449	319,030
Property and equipment, net	51,426	50,699
Investments in unconsolidated joint ventures	37,348	43,418
Net investment in water assets	50,982	50,997
Other assets	1,594	1,619
TOTAL ASSETS	\$ 552,028	\$ 546,036
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 4,271	\$ 4,545
Accrued liabilities and other	3,047	3,451
Deferred income	2,543	1,907
Income Taxes Payable	4,591	1,217
Current maturities of long-term debt	4,531	4,475
Total current liabilities	18,983	15,595
Long-term debt, less current portion	47,001	48,155
Long-term deferred gains	7,839	8,409
Deferred tax liability	3,596	2,898
Other liabilities	11,727	14,468
Total liabilities	89,146	89,525
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 26,473,349 at March 31, 2022 and 26,400,921 at December 31, 2021	13,237	13,200
Additional paid-in capital	345,166	344,936
Accumulated other comprehensive loss	(5,032)	(6,822)
Retained earnings	94,142	89,835
Total Tejon Ranch Co. Stockholders' Equity	447,513	441,149
Non-controlling interest	15,369	15,362
Total equity	462,882	456,511
TOTAL LIABILITIES AND EQUITY	\$ 552,028	\$ 546,036

See accompanying notes.

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

	Three Months Ended March 31,	
	2022	2021
Operating Activities		
Net income (loss)	\$ 4,314	\$ (1,063)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	967	965
Amortization of premium/discount of marketable securities	40	11
Equity in earnings of unconsolidated joint ventures, net	(1,213)	59
Non-cash retirement plan (benefit) expense	26	(25)
Profit from water sales ¹	(734)	—
Profit from land sales ²	(3,589)	—
Gain on sale of property plant and equipment	(925)	(36)
Deferred income taxes	—	—
Stock compensation expense	1,219	1,276
Excess tax shortfall from stock-based compensation	3	155
Distribution of earnings from unconsolidated joint ventures	4,931	163
Changes in operating assets and liabilities:		
Receivables, inventories, prepaids and other assets, net	553	946
Current liabilities	2,392	1,263
Net cash provided by operating activities	7,984	3,714
Investing Activities		
Maturities and sales of marketable securities	7,967	900
Funds invested in marketable securities	(16,629)	(5,715)
Real estate and equipment expenditures	(4,432)	(5,218)
Proceeds from sale of real estate/assets	—	45
Investment in unconsolidated joint ventures	—	(500)
Distribution of equity from unconsolidated joint ventures	2,631	462
Proceeds from water sales ¹	1,723	—
Investments in water assets	(941)	(1,653)
Net proceeds from land sales ²	4,438	—
Net cash used in investing activities	(5,243)	(11,679)
Financing Activities		
Repayments of long-term debt	(1,109)	(1,066)
Taxes on vested stock grants	(1,122)	(966)
Net cash used in financing activities	(2,231)	(2,032)
Increase (decrease) in cash and cash equivalents	510	(9,997)
Cash, cash equivalents, and restricted cash at beginning of period	37,398	55,320
Cash, cash equivalents, and restricted cash at end of period	\$ 37,908	\$ 45,323
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	\$ 36,705	\$ 45,323
Restricted cash (Shown in Other Assets)	1,203	—
Total cash, cash equivalents, and restricted cash	\$ 37,908	\$ 45,323

Non-cash investing activities

Accrued capital expenditures included in current liabilities	\$	(850)	\$	(1,076)
Accrued long-term water assets included in current liabilities	\$	(374)	\$	262

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

Given the nature of our water assets and the aforementioned authoritative guidance, the Company estimates the appropriate classification of water assets purchased based on the timing of the sale of the water. Water purchased in prior periods that was classified as investing was sold for \$1.7 million in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of \$0.7 million related to the water purchased in prior periods is appropriately being deducted from operating activities for the current period. The Company has and will continue to apply this methodology to water asset transactions that meet this fact pattern.

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

Given the nature of our land development costs and the aforementioned authoritative guidance, the Company estimates the appropriate classification of land development costs based on the timing of the sale of land. Land development costs incurred during prior periods that were classified as investing were sold for \$4.7 million in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of \$3.6 million related to land development costs incurred in prior periods is appropriately being deducted from operating activities for the current period. The Company has and will continue to apply this methodology to land sale transactions that meet this fact pattern.

See accompanying notes.

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

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, December 31, 2021	26,400,921	\$ 13,200	\$ 344,936	\$ (6,822)	\$ 89,835	\$ 441,149	\$ 15,362	\$ 456,511
Net income	—	—	—	—	4,307	4,307	7	4,314
Other comprehensive income	—	—	—	1,790	—	1,790	—	1,790
Restricted stock issuance	136,288	68	(68)	—	—	—	—	—
Stock compensation	—	—	1,389	—	—	1,389	—	1,389
Shares withheld for taxes and tax benefit of vested shares	(63,860)	(31)	(1,091)	—	—	(1,122)	—	(1,122)
Balance, March 31, 2022	<u>26,473,349</u>	<u>\$ 13,237</u>	<u>\$ 345,166</u>	<u>\$ (5,032)</u>	<u>\$ 94,142</u>	<u>\$ 447,513</u>	<u>\$ 15,369</u>	<u>\$ 462,882</u>
Balance, December 31, 2020	26,276,830	\$ 13,137	\$ 342,059	\$ (9,720)	\$ 84,487	\$ 429,963	\$ 15,368	\$ 445,331
Net loss	—	—	—	—	(1,055)	(1,055)	(8)	(1,063)
Other comprehensive income	—	—	—	1,580	—	1,580	—	1,580
Restricted stock issuance	117,943	59	(59)	—	—	—	—	—
Stock compensation	—	—	1,266	—	—	1,266	—	1,266
Shares withheld for taxes and tax benefit of vested shares	(58,658)	(29)	(937)	—	—	(966)	—	(966)
Balance, March 31, 2021	<u>26,336,115</u>	<u>\$ 13,167</u>	<u>\$ 342,329</u>	<u>\$ (8,140)</u>	<u>\$ 83,432</u>	<u>\$ 430,788</u>	<u>\$ 15,360</u>	<u>\$ 446,148</u>

See accompanying notes.

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

1. BASIS OF PRESENTATION

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

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

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

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

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

Restricted Cash

Restricted cash is included in Prepaid expenses and other current assets within the Consolidated Balance Sheets and primarily relate to funds held in escrow. The Company had \$1,203,000 of restricted cash as of March 31, 2022.

Recent Accounting Pronouncements

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

2. EQUITY

Earnings Per Share (EPS)

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

	Three Months Ended March 31,	
	2022	2021
Weighted average number of shares outstanding:		
Common stock	26,431,989	26,313,722
Common stock equivalents	47,507	57,010
Diluted shares outstanding	<u>26,479,496</u>	<u>26,370,732</u>

3. MARKETABLE SECURITIES

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

(\$ in thousands)

	Fair Value Hierarchy	March 31, 2022		December 31, 2021	
		Cost	Fair Value	Cost	Fair Value
Marketable Securities:					
Certificates of deposit					
with unrealized losses for less than 12 months		\$ —	\$ —	\$ 401	\$ 400
with unrealized gains		649	649	—	—
Total Certificates of deposit	Level 1	649	649	401	400
U.S. Treasury and agency notes					
with unrealized losses for less than 12 months		4,637	4,616	1,360	1,358
Total U.S. Treasury and agency notes	Level 2	4,637	4,616	1,360	1,358
Corporate notes					
with unrealized losses for less than 12 months		12,081	12,033	9,231	9,225
with unrealized losses for more than 12 months		595	589	—	—
with unrealized gains		1,500	1,500	—	—
Total Corporate notes	Level 2	14,176	14,122	9,231	9,225
Municipal notes					
with unrealized losses for less than 12 months		152	150	—	—
Total Municipal notes	Level 2	152	150	—	—
		<u>\$ 19,614</u>	<u>\$ 19,537</u>	<u>\$ 10,992</u>	<u>\$ 10,983</u>

ASC Topic 326, "Financial Instruments - Credit Losses," requires the Company to use an allowance approach when recognizing credit loss for available-for-sale debt securities, measured as the difference between the security's amortized cost basis and the amount expected to be collected over the security's lifetime. Under this approach, at each reporting date, the Company records impairment related to credit losses through earnings offset with an allowance for credit losses, or ACL. At March 31, 2022, the Company has not recorded any credit losses.

At March 31, 2022, the fair market value of marketable securities was \$77,000 below their cost basis. The Company's gross unrealized holding gains equaled zero and gross unrealized holding losses equaled \$77,000. As of March 31, 2022, the adjustment to accumulated other comprehensive loss reflected a decline in market value of \$68,000, including estimated taxes of \$19,000.

The Company elected to exclude applicable accrued interest from both the fair value and the amortized cost basis of the available-for-sale debt securities, and separately present the accrued interest receivable balance per ASC Topic 326. The accrued interest receivables balance totaled \$71,000 as of March 31, 2022, and was included within the Prepaid expenses and other current assets line item of the Consolidated Balance Sheets. The Company elected not to measure an allowance for credit losses on accrued interest receivable as an allowance on possible uncollectible accrued interest is not warranted.

U.S. Treasury and agency notes

The unrealized losses on the Company's investments in U.S. Treasury and agency notes at March 31, 2022 and December 31, 2021 were caused by relative changes in interest rates since the time of purchase. The contractual cash flows for these securities are guaranteed by U.S. government agencies. The unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality. As of March 31, 2022 and December 31, 2021, the Company did not intend to sell these securities and it is not more-likely-than-not that the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of March 31, 2022 and December 31, 2021.

Corporate notes

The contractual terms of those investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investments. The unrealized losses on corporate notes are a function of changes in investment spreads and interest rate movements and not changes in credit quality. The Company expects to recover the entire amortized cost basis of these securities. As of March 31, 2022 and December 31, 2021, the Company did not intend to sell these securities and it is not more-likely-than-not that the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of March 31, 2022 and December 31, 2021.

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

(\$ in thousands)	March 31, 2022		
	2022	2023	Total
Certificates of deposit	\$ 649	\$ —	\$ 649
U.S. Treasury and agency notes	3,618	1,000	4,618
Corporate notes	7,527	6,575	14,102
	<u>\$ 11,794</u>	<u>\$ 7,575</u>	<u>\$ 19,369</u>

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

The Company's investments in corporate notes are with companies that have an investment grade rating from Standard & Poor's as of March 31, 2022.

4. REAL ESTATE

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

(\$ in thousands)	March 31, 2022	December 31, 2021
Real estate development		
Mountain Village	\$ 151,409	\$ 150,668
Centennial	113,014	112,063
Grapevine	38,149	37,922
Tejon Ranch Commerce Center	18,877	18,377
Real estate development	<u>\$ 321,449</u>	<u>\$ 319,030</u>
Real estate and improvements - held for lease		
Tejon Ranch Commerce Center	\$ 20,590	\$ 20,595
Less accumulated depreciation	(3,383)	(3,294)
Real estate and improvements - held for lease, net	<u>\$ 17,207</u>	<u>\$ 17,301</u>

5. LONG-TERM WATER ASSETS

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

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

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

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

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

	March 31, 2022	March 31, 2021
Acre-Feet Sold	6,970	5,881
Revenues	\$ 10,157	\$ 6,252
Cost of sales	6,345	4,351
Profit	\$ 3,812	\$ 1,901

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

	March 31, 2022	December 31, 2021
Banked water and water for future delivery	\$ 23,855	\$ 25,020
Transferable water	4,370	2,879
Total water held for future use at cost	\$ 28,225	\$ 27,899

Intangible Water Assets

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

	March 31, 2022		December 31, 2021	
	Costs	Accumulated Depreciation	Costs	Accumulated Depreciation
Dudley-Ridge water rights	\$ 11,581	\$ (5,428)	\$ 11,581	\$ (5,307)
Nickel water rights	18,740	(5,408)	18,740	(5,247)
Tulare Lake Basin water rights	6,479	(3,207)	6,479	(3,148)
	\$ 36,800	\$ (14,043)	\$ 36,800	\$ (13,702)
Net cost of purchased water contracts	22,757		23,098	
Total cost water held for future use	28,225		27,899	
Net investments in water assets	\$ 50,982		\$ 50,997	

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

(in acre-feet, unaudited)	March 31, 2022	December 31, 2021
Water held for future use		
TCWD - Banked water owned by the Company	55,227	56,189
Company water bank	50,349	50,349
Water available for banking, sales, or internal use	5,504	4,203
Total water held for future use	111,080	110,741
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWS D - Contracts with the Company	15,547	15,547
TCWD - Contracts with the Company	5,749	5,749
Total purchased water contracts	31,433	31,433
Total water held for future use and purchased water contracts	142,513	142,174

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

6. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following:

(\$ in thousands)	March 31, 2022	December 31, 2021
Accrued vacation	\$ 801	\$ 782
Accrued paid personal leave	364	356
Accrued bonus	530	2,062
Property tax payable ¹	1,317	—
Other	35	251
	\$ 3,047	\$ 3,451

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)	March 31, 2022	December 31, 2021
Notes payable	\$ 51,674	\$ 52,784
Less: line-of-credit and current maturities of long-term debt	(4,531)	(4,475)
Less: deferred loan costs	(142)	(154)
Long-term debt, less current portion	\$ 47,001	\$ 48,155

8. OTHER LIABILITIES

Other liabilities consisted of the following:

(\$ in thousands)	March 31, 2022	December 31, 2021
Pension liability	\$ 136	\$ 185
Interest rate swap liability (Note 10)	535	3,088
Supplemental executive retirement plan liability	7,789	7,847
Excess joint venture distributions and other	3,267	3,348
Total	\$ 11,727	\$ 14,468

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

9. STOCK COMPENSATION - RESTRICTED STOCK AND PERFORMANCE SHARE GRANTS

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

The following is a summary of the Company's Performance Condition Grants as of the three months ended March 31, 2022:

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

The following is a summary of the Company's stock grant activity, both time and performance share grants, assuming target achievement for outstanding performance grants for the three months ended March 31, 2022:

	March 31, 2022
Stock Grants Outstanding Beginning of Period at Target Achievement	683,645
New Stock Grants/Additional Shares due to Achievement in Excess of Target	60,078
Vested Grants	(128,893)
Expired/Forfeited Grants	(14,291)
Stock Grants Outstanding End of Period at Target Achievement	600,539

The following is a summary of the assumptions used to determine the price for the Company's market-based Performance Condition Grants for the three months ended March 31, 2022:

(\$ in thousands except for share prices)

Grant date	12/12/2019	03/11/2020	12/11/2020	03/18/2021	12/16/2021	03/17/2022
Vesting end	12/31/2022	12/31/2022	12/31/2023	03/18/2024	12/16/2024	03/17/2025
Share price at target achievement	\$18.80	\$16.36	\$17.07	\$20.02	\$21.58	\$20.43
Expected volatility	17.28%	18.21%	29.25%	30.30%	31.29%	31.54%
Risk-free interest rate	1.69%	0.58%	0.19%	0.33%	0.92%	2.13%
Simulated Monte Carlo share price	\$11.95	\$5.87	\$15.59	\$18.82	\$21.48	\$21.75
Shares granted	6,327	81,716	3,628	10,905	3,536	13,338
Total fair value of award	\$76	\$480	\$57	\$205	\$76	\$290

The unamortized cost associated with unvested stock grants and the weighted average period over which it is expected to be recognized as of March 31, 2022 were \$3,031,000 and 12 months, respectively. The fair value of restricted stock with time-based vesting features is based upon the Company's share price on the date of grant and is expensed over the service period. The fair value of performance grants that cliff vest based on the achievement of performance conditions is based on the share price of the Company's stock on the day of grant once the Company determines that it is probable that the award will vest. This fair value is expensed over the service period applicable to these grants. For performance grants that contain a range of shares from zero to a maximum, the Company determined, based on historic and projected results, the probability of (1) achieving the performance objective and (2) the level of achievement. Based on this information, the Company determines the fair value of the award and measures the expense over the service period related to these grants. Because the ultimate vesting of all performance grants is tied to the achievement of a performance condition, the Company estimates whether the performance condition will be met and over what period of time. Ultimately, the Company will adjust stock compensation costs according to the actual outcome of the performance condition.

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

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Employee Plan:		
Expensed	\$ 1,067	\$ 1,146
Capitalized	170	(10)
	1,237	1,136
NDSI Plan - Expensed	152	130
Total Stock Compensation Costs	\$ 1,389	\$ 1,266

10. INTEREST RATE SWAP

In October 2014, the Company entered into an interest rate swap agreement to reduce its exposure to fluctuations in the floating interest rate tied to the London Inter-Bank Offered Rate, or LIBOR, under the term note with Wells Fargo, or the Term Note, as discussed within the Capital Structure and Financial Condition section of Management's Discussion and Analysis of Financial Condition and Results of Operations. On June 21, 2019, the Company amended the interest rate swap agreement to continue to hedge a portion of its exposure to interest rate risk from the Term Note, and, subsequently, the Amended Term Note. The original hedging relationship was de-designated, and the amended interest rate swap was re-designated simultaneously. The amended interest rate swap qualified as an effective cash flow hedge at the initial assessment, based upon a regression analysis, and is recorded at fair value.

During the quarter ended March 31, 2022, the interest rate swap agreement was deemed highly effective. Changes in fair value, including accrued interest and adjustments for non-performance risk, that qualify as cash flow hedges are classified in

accumulated other comprehensive income, or AOCI. Amounts classified in AOCI are subsequently reclassified into earnings in the period during which the hedged transactions affect earnings. As of March 31, 2022, the fair value of the interest rate swap agreement was less than its cost basis and as such is recorded within Other Liabilities on the Consolidated Balance Sheets. The Company had the following outstanding interest rate swap agreement designated as an interest rate cash flow hedge as of March 31, 2022 and December 31, 2021 (\$ in thousands):

March 31, 2022					
Effective Date	Maturity Date	Fair Value Hierarchy	Weighted Average Interest Pay Rate	Fair Value	Notional Amount
July 5, 2019	June 5, 2029	Level 2	4.16%	\$(535)	\$49,790

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

11. INCOME TAXES

The Company's provision for income taxes as of March 31, 2022 has been calculated by applying an estimate of the annual effective tax rate for the full year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items). For the three months ended March 31, 2022, the Company's income tax expense was \$3,046,000 compared to \$21,000 for the three months ended March 31, 2021. Effective tax rates were 41% and -2% for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, the Company had income tax payables of \$4,591,000. The Company classifies interest and penalties incurred on tax payments as income tax expense.

For the three months ended March 31, 2022, the Company's effective tax rate was above statutory tax rates as a result of permanent differences related to Section 162(m) limitations and discrete tax expense associated with stock compensation. The Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts Jobs Act. The discrete item was triggered when stock grants were issued to participants at a price less than the original grant price, causing a deferred tax shortfall. The shortfall recognized represents the reversal of excess deferred tax assets recognized in prior periods. The recognition of the shortfall is not anticipated to have an impact on the Company's current income tax payable.

12. COMMITMENTS AND CONTINGENCIES

Water Contracts

The Company has secured water contracts that are encumbered by the Company's land. These water contracts require minimum annual payments, for which \$12,066,000 is expected to be paid in 2022. These estimated water contract payments consist of SWP contracts with WRMWSD, TCWD, Tulare Lake Basin, Dudley-Ridge, and the Nickel water contract. The SWP contracts run through 2035 and the Nickel water contract runs through 2044, with an option to extend an additional 35 years. Contractual obligations for future water payments were \$277,288,000 as of March 31, 2022.

Conservancy Payments

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

Contracts

The Company exited a consulting contract during the second quarter of 2014 related to the Grapevine Development, or Grapevine project, and is obligated to pay an earned incentive fee at the time of its successful receipt of litigated project entitlements and at a value measurement date five-years after litigated entitlements have been achieved for Grapevine. The final amount of the incentive fee will not be finalized until the future payment dates. The Company believes as of March 31, 2022, the net savings resulting from exiting the contract during this future time period will more than offset the incentive payment costs.

Community Facilities Districts

The Tejon Ranch Public Facilities Financing Authority, or TRPFFA, is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. For the development of the Tejon Ranch Commerce Center, or TRCC, TRPFFA has created two Community Facilities Districts, or CFDs: the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to

\$28,620,000 of bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to \$75,965,000 of bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has approximately \$44,035,000 of additional bond debt authorized by TRPFFA that can be sold in the future.

In connection with the sale of the bonds, there is a standby letter of credit for \$4,393,000 related to the issuance of East CFD bonds. The standby letter of credit is in place to provide additional credit enhancement and cover approximately two years of interest on the outstanding bonds. This letter of credit will not be drawn upon unless the Company, as the largest landowner in the CFD, fails to make its property tax payments. The Company believes that the letter of credit will never be drawn upon. The letter of credit is for two years and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately \$68,000.

The Company is obligated, as a landowner in each CFD, to pay its share of the special taxes assessed each year. The secured lands include both the TRCC-West and TRCC-East developments. Proceeds from the sale of West CFD bonds went to reimburse the Company for public infrastructure costs related to the TRCC-West development. As of March 31, 2022, there were no additional improvement funds remaining from the West CFD bonds. There are \$15,647,940 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. During fiscal 2022, the Company expects to pay approximately \$3,247,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. This amount could change in the future based on the amount of bonds outstanding and the amount of taxes paid by others. The tax assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate of the property at the time of sale or at the time it is leased to a third-party. Accordingly, the Company was not required to recognize an obligation on March 31, 2022.

National Cement

The Company leases land to National Cement Company of California Inc., or National, for the purpose of manufacturing Portland cement from limestone deposits on the leased acreage. The California Regional Water Quality Control Board, or RWQCB, for the Lahontan Region issued orders in the late 1990s with respect to environmental conditions on the property currently leased to National.

The Company's former tenant Lafarge Corporation, or Lafarge, and current tenant National, remediated these environmental conditions consistent with the RWQCB orders and continue to maintain monitoring activities.

As of March 31, 2022, the Company is not aware of any failure by Lafarge or National to comply with directives of the RWQCB. Under current and prior leases, National and Lafarge are obligated to indemnify the Company for costs and liabilities arising out of their use of the leased premises. The remediation of environmental conditions is included within the scope of the National or Lafarge indemnity obligations. If the Company were required to remediate any environmental conditions at its own cost, it is unlikely that the amount of any such expenditure by the Company at this point in time would be material and there is no reasonable likelihood of continuing risk from this matter.

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 environmental impact report and related findings (Centennial EIR); approval of associated general plan amendments; adoption of associated zoning; adoption of the Centennial Specific Plan; approval of a subdivision map for financing purposes; and adoption of a development agreement, among other approvals (collectively, the Centennial Approvals). Separately, on May 28, 2019, CBD and the California Native Plant Society (CNPS) filed an action in Los Angeles County Superior Court (the CBD/CNPS Action) against LA County; like the Climate Resolve Action, the CBD/CNPS Action also challenges the Centennial Approvals. The Company, its wholly owned subsidiary Tejon Ranchcorp, and Centennial Founders, LLC are named as real parties-in-interest in both the Climate Resolve Action and the CBD/CNPS Action.

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

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

On November 30, 2021, the Company together with Ranchcorp and Centennial, entered into a Settlement Agreement with Climate Resolve. Pursuant to the Settlement Agreement, the Company has agreed: (1) to make Centennial a net zero greenhouse gas ("GHG") emissions project through various on-site and off-site measures, including but not limited to installing electric vehicle chargers and establishing and funding incentive programs for the purchase of electric vehicles; (2) to fund certain on-site and off-site fire protection and prevention measures; and (3) to provide annual public reports and create an organization to monitor progress towards these commitments. The foregoing is only a summary of the material terms of the Settlement Agreement and does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the Settlement Agreement, a full copy of which is attached hereto this Annual Report (10-K). In exchange, Climate Resolve filed a request for dismissal of the Climate Resolve Action with prejudice from the Los Angeles County Superior Court. On December 3-2021, the Los Angeles Superior Court granted and entered Climate Resolve's dismissal with prejudice concluding the Climate Resolve Action. On December 1, 2021, the Los Angeles Superior Court continued CBD/CNPS Motion for Reconsideration to January 14, 2022, directing CBD/CNPS to evaluate the Settlement Agreement reached in the Climate Resolve Action to address issues surrounding remedies should CBD be granted prevailing party status in the Climate Resolve Action, and to evaluate the potential to settle or otherwise address CBD's objections to the Centennial project. To that end, the Company met and conferred twice on January 4, 2022 and January 20, 2022. On January 14, the Los Angeles County Superior Court heard CBD/CNPS Motion for Reconsideration and issued its decision granting CBD/CNPS prevailing party status in the Climate Resolve Action. The Los Angeles County Superior Court set a tentative hearing date of February 25, 2022 concerning the entry of final judgment and awarding of appropriate remedies. Upon mutual request of the parties and approval by the Court, the February 25, 2022 hearing date has been extended twice, originally to March 30, 2022, and then again to May 13, 2022. Prior to and subsequent of final judgment being entered, appellate litigation may follow. To the extent there may be an adverse outcome of the claims still pending as described above, the monetary value cannot be estimated at this time.

Proceedings Incidental to Business

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

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

13. RETIREMENT PLANS

The Company sponsors a defined benefit retirement plan, or Benefit Plan, that covers eligible employees hired prior to February 1, 2007. The benefits are based on years of service and the employee's five-year final average salary. Contributions are intended to provide for benefits attributable to service both to date and expected to be provided in the future. The Company funds the plan in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). In April 2017, the Company froze the Benefit Plan as it relates to future benefit accruals for participants. The Company expects to contribute \$165,000 to the Benefit Plan in 2022.

Benefit Plan assets consist of equity, debt and short-term money market investment funds. The Benefit Plan's current investment policy changed during the third quarter of 2018. The policy's strategy seeks to minimize the volatility of the funding ratio. This objective will result in a prescribed asset mix between "return seeking" assets (e.g., stocks) and a bond portfolio (e.g., long duration bonds) according to a pre-determined customized investment strategy based on the Benefit Plan's funded status as the primary input. This path will be used as a reference point as to the mix of assets, which by design will de-emphasize the return seeking portion as the funded status improves. At March 31, 2022, the investment mix was approximately 20% equity, 79% debt, and 1% money market funds. At December 31, 2021, the investment mix was approximately 35% equity, 64% debt, and 1% money market funds. Equity investments comprise of value, growth, large cap, small cap and international stock funds. Debt investments consist of U.S. Treasury securities and investment grade corporate debt. A weighted average discount rate of 2.8% was used in determining the net periodic pension cost for fiscal 2022 and 2021. The assumed expected long-term rate of return on plan assets is 7.3% for both fiscal 2022 and 2021. The long-term rate of return on Benefit Plan assets is based on the historical returns within the plan and expectations for future returns.

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Earnings (cost) components:		
Interest cost	\$ (78)	\$ (73)
Expected return on plan assets	138	188
Net amortization and deferral	(12)	(18)
Total net periodic pension earnings	\$ 48	\$ 97

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

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Cost components:		
Interest cost	\$ (46)	\$ (41)
Net amortization and other	(29)	(31)
Total net periodic pension expense	\$ (75)	\$ (72)

14. REPORTING SEGMENTS AND RELATED INFORMATION

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

Real estate - Commercial/Industrial

Commercial/Industrial real estate development segment revenues consist of land sale revenues, leases of land and/or building space to tenants at the Company's commercial retail and industrial developments, base and percentage rents from the PEF power plant lease, communication tower rents, land sales, and payments from easement leases. Refer to Note 15 for discussion of unconsolidated joint ventures. The following table summarizes revenues, expenses and operating income from this segment for the periods ended:

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Commercial/industrial revenues	\$ 7,349	\$ 2,228
Equity in earnings of unconsolidated joint ventures	1,213	(59)
Commercial/industrial revenues and equity in earnings of unconsolidated joint ventures	8,562	2,169
Commercial/industrial expenses	2,736	1,552
Operating results from commercial/industrial and unconsolidated joint ventures	\$ 5,826	\$ 617

Real Estate - Resort/Residential

The Resort/Residential real estate development segment is actively involved in pursuing land entitlement and development processes both internally and through joint ventures. The segment incurs costs and expenses related to land management activities on land held for future development, but currently generates no revenue. The segment generated losses of \$423,000 and \$553,000 for the three months ended March 31, 2022 and 2021, 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:

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Mineral resources revenues	\$ 11,968	\$ 7,176
Mineral resources expenses	7,157	5,047
Operating results from mineral resources	\$ 4,811	\$ 2,129

Farming

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Farming revenues	\$ 655	\$ 607
Farming expenses	1,762	1,478
Operating results from farming	\$ (1,107)	\$ (871)

Ranch Operations

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Ranch operations revenues	\$ 1,048	\$ 1,043
Ranch operations expenses	1,315	1,187
Operating results from ranch operations	\$ (267)	\$ (144)

15. INVESTMENT IN UNCONSOLIDATED AND CONSOLIDATED JOINT VENTURES

The Company maintains investments in joint ventures. The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting unless the venture is a variable interest entity, or VIE, and meets the requirements for consolidation. The Company's investment in its unconsolidated joint ventures as of March 31, 2022 was \$37,348,000. Equity in earnings from unconsolidated joint ventures was \$1,213,000 for the three months ended March 31, 2022. The unconsolidated joint ventures have not been consolidated as of March 31, 2022, because the Company does not control the investments. The Company's current joint ventures are as follows:

- Petro Travel Plaza Holdings LLC – Petro Travel Plaza Holdings LLC, or Petro, is an unconsolidated joint venture with TravelCenters of America that develops and manages travel plazas, gas stations, convenience stores, and fast-food restaurants throughout TRCC. The Company has 50% of the voting rights but participates in 60% of all profits and losses. The Company does not control the investment due to having only 50% of the voting rights. The Company's partner is the managing partner and performs all of the day-to-day operations and has significant decision-making authority over key business components such as fuel inventory and pricing at the facilities. The Company's investment in this joint venture was \$24,076,000 as of March 31, 2022.
- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of real estate projects throughout the United States. The Company has formed six 50/50 joint ventures with Majestic to acquire, develop, manage, and operate industrial real estate at TRCC. The partners have equal voting rights and equally share in the profit and loss of the joint ventures. The Company and Majestic guarantee the performance of all outstanding debt.
 - On March 29, 2022, TRC-MRC 5 LLC was formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East.
 - In February 2022, we formed TRC-MRC Multi I, LLC, to pursue the development, construction, lease-up, and management of a approximately 495 multi-family rental units located within TRCC-East.
 - On March 25, 2021, TRC-MRC 4 LLC was formed to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. Construction of the building has begun with completion expected in 2022. The construction is being financed by a \$47,500,000 construction loan that had an outstanding balance of \$24,039,000 as of March 31, 2022. The construction loan is individually and collectively guaranteed by the Company and Majestic. In 2021, the Company contributed land with a fair value of \$8,464,000 to TRC-MRC 4, LLC. The total cost of the land was \$2,895,000. The Company recognized profit of \$2,785,000 and deferred profit of \$2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures. The Company's investment in this joint venture was \$4,668,000 as of March 31, 2022.

- In November 2018, TRC-MRC 3, LLC was formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building located within TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary; therefore, it does not consolidate TRC-MRC 3, LLC in its financial statements. The construction of the building was completed in the fourth quarter of 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 \$35,120,000 as of March 31, 2022. On April 1, 2019, the Company contributed land with a fair value of \$5,854,000 to TRC-MRC 3, LLC in accordance with the limited liability agreement. The Company's investment in this joint venture was \$713,000 as of March 31, 2022.
- In August 2016, the Company partnered with Majestic to form TRC-MRC 2, LLC to acquire, lease, and maintain a fully occupied warehouse at TRCC-West. The partnership acquired the 651,909 square foot building for \$24,773,000, which was largely financed through a promissory note guaranteed by both partners. The promissory note was refinanced on June 1, 2018 with a \$25,240,000 promissory note. The note matures on July 1, 2028 and has an outstanding principal balance of \$23,097,000 as of March 31, 2022. The building is 100% leased as of March 31, 2022. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of \$1,498,000. In accordance with the applicable accounting guidance, the Company reclassified excess distributions to Other Liabilities within the Consolidated Balance Sheets. The Company expects to continue to record equity in earnings as a debit to the investment account and if it were to become positive, the Company would reclassify the liability to an asset. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will immediately recognize the liability as income.
- In September 2016, TRC-MRC 1, LLC was formed to develop and operate an approximately 480,480 square foot industrial building at TRCC-East. The building is 100% leased as of March 31, 2022. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of \$1,764,000. In accordance with the applicable accounting guidance, the Company reclassified excess distributions to Other Liabilities within the Consolidated Balance Sheets. The Company expects to continue to record equity in earnings as a debit to the investment account and if it were to become positive, the Company will reclassify the liability to an asset. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will immediately recognize the liability as income. The joint venture refinanced its construction loan in December 2018 with a mortgage loan. The original balance of the mortgage loan was \$25,030,000, of which \$23,250,000 was outstanding as of March 31, 2022. During the first quarter we received notice from a tenant of plans to vacate their current space, concurrently, we received a request from a second tenant wanting to move into a larger space. These two events will free up approximately 240,000 square feet of space during the second quarter.
- Rockefeller Joint Ventures – The Company has two active joint ventures with Rockefeller Group Development Corporation, or Rockefeller. At March 31, 2022, the Company's combined equity investment balance in these two joint ventures was \$7,891,000.
 - 18-19 West LLC was formed in August 2009 through the contribution of 61.5 acres of land by the Company that is being held for future development. The Company owns a 50% interest in this joint venture, and the joint venture is being accounted for under the equity method due to both members having significant participating rights in the management of the venture. In 2021, a third-party purchased the land from the joint venture for \$15,213,000. The cash proceeds from the sale were distributed to the partners in the first quarter of 2022 and we expect to dissolve the entity in late 2022.

- TRCC/Rock Outlet Center LLC was formed in 2013 to develop, own, and manage a net leasable 326,000 square foot outlet center on land at TRCC-East. The Company controls 50% of the voting interests of TRCC/Rock Outlet Center LLC; thus, it does not control the joint venture by voting interest alone. The Company is the named managing member. The managing member's responsibilities relate to the routine day-to-day activities of TRCC/Rock Outlet Center LLC. However, all operating decisions, including the setting and monitoring of the budget, leasing, marketing, financing, and selection of the contractor for any construction, are jointly made by both members of the joint venture. Therefore, the Company concluded that both members have significant participating rights that are sufficient to overcome the presumption of the Company controlling the joint venture through it being named the managing member. As a result, the investment in TRCC/Rock Outlet Center LLC is being accounted for under the equity method. On September 7, 2021, the TRCC/Rock Outlet Center LLC joint venture successfully extended the maturity date of its term note with a financial institution from September 5, 2021 to May 31, 2024. In connection with the loan extension, the joint venture also reduced the outstanding amount by \$4,600,000. As of March 31, 2022, the outstanding balance of the term note was \$28,516,000. The Company and Rockefeller guarantee the performance of the debt.
- Centennial Founders, LLC – 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 March 31, 2022, the Company owned 93.13% of CFL.

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

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

	Three Months Ended March 31,					
	2022		2021		2021	
	Joint Venture				TRC	
(\$ in thousands)	Revenues		Earnings (Loss)		Equity in Earnings (Loss)	
Petro Travel Plaza Holdings, LLC	\$ 38,328	\$ 23,821	\$ 1,934	\$ 243	\$ 1,161	\$ 146
Five West Parcel, LLC	—	—	—	—	—	—
18-19 West, LLC	—	2	—	(35)	—	(17)
TRCC/Rock Outlet Center, LLC ¹	1,564	1,275	(414)	(689)	(207)	(344)
TRC-MRC 1, LLC	839	847	19	87	9	43
TRC-MRC 2, LLC	1,025	1,015	344	336	172	168
TRC-MRC 3, LLC	1,018	971	158	(109)	79	(55)
TRC-MRC 4, LLC	—	—	(1)	—	(1)	—
Total	\$ 42,774	\$ 27,931	\$ 2,040	\$ (167)	\$ 1,213	\$ (59)
Centennial Founders, LLC	\$ 121	\$ 129	\$ 97	\$ 111	Consolidated	

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of \$0.3 million and \$0.3 million as of the three months ended March 31, 2022 and March 31, 2021, respectively.

	March 31, 2022				December 31, 2021			
	Joint Venture		TRC		Joint Venture		TRC	
(\$ in thousands)	Assets	Debt	Equity	Equity	Assets	Debt	Equity	Equity
Petro Travel Plaza Holdings, LLC	\$ 81,767	\$ (14,657)	\$ 60,794	\$ 24,076	\$ 78,064	\$ (14,848)	\$ 58,859	\$ 22,915
18-19 West, LLC	430	—	430	—	14,965	—	14,895	6,877
TRCC/Rock Outlet Center, LLC	61,445	(28,516)	31,909	7,891	61,927	(28,783)	32,323	8,098
TRC-MRC 1, LLC	24,892	(23,250)	1,018	—	24,964	(23,400)	1,209	—
TRC-MRC 2, LLC	20,800	(23,097)	(3,926)	—	20,497	(23,255)	(5,657)	—
TRC-MRC 3, LLC	37,306	(35,120)	847	713	37,579	(35,324)	(914)	859
TRC-MRC 4, LLC	33,424	(24,039)	9,340	4,668	25,671	(16,307)	9,319	4,669
Total	\$ 260,064	\$ (148,679)	\$ 100,412	\$ 37,348	\$ 263,667	\$ (141,917)	\$ 110,034	\$ 43,418
Centennial Founders, LLC	\$ 101,789	\$ —	\$ 101,408	***	\$ 101,178	\$ —	\$ 100,261	***

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

16. RELATED PARTY TRANSACTIONS

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

The Company has water contracts with WRMWSD for SWP water deliveries to its agricultural and municipal/industrial operations in the San Joaquin Valley. The terms of these contracts extend to 2035. Under the contracts, the Company is entitled to annual water for 5,496 acres of land, or 15,547 acre-feet of water, subject to SWP allocations. The Company's Executive Vice President and Chief Operating Officer/Chief Financial Officer is one of nine directors at WRMWSD. As of March 31, 2022, the Company paid \$2,262,000 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, potential losses to Tejon Ranch Co. and its subsidiaries (the Company, Tejon, we, us, and our) as a result of pending environmental proceedings, the adequacy of future cash flows to fund our operations, and of current assets and contracts to meet our water and other commitments, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable and our own outstanding indebtedness, ongoing negotiations, the uncertainties regarding the impact of COVID-19 on the Company, its customers and suppliers, and global economic conditions, and other future events and conditions. In some cases, these statements are identifiable through use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "will," "should," "would," "likely," and similar expressions such as "in the process." In addition, any statements that refer to projections of our future financial performance, our anticipated growth, and trends in our business and other characterizations of future events or circumstances are forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performance, are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, the impacts of COVID-19 and the actions taken by governments, businesses, and individuals in response to it, including the development, distribution, efficacy and acceptance of vaccines and related mandates, weather, market and economic forces, availability of financing for land development activities, and competition and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for several reasons, including those described above and in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K.

OVERVIEW

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

Business Objectives and Strategies

Our primary business objective is to maximize long-term shareholder value through the monetization of our land-based assets. A key element of our strategy is to entitle and then develop large-scale mixed-use master planned residential and commercial/industrial real estate development projects to serve the growing populations of Southern and Central California. Our mixed-use master planned residential developments have been approved to collectively include up to 35,278 housing units, and more than 35 million square feet of commercial space. Over the next few years, it is possible that we will be engaged in continuous litigation defending the entitlements of our master planned developments.

We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our fully operational commercial/industrial center Tejon Ranch Commerce Center, or TRCC. In January 2021, the Kern County Board of Supervisors approved two Conditional Use Permits, authorizing development of multi-family apartment uses within the Tejon Ranch Commerce Center, on a 27-acre site located immediately north of the Outlets at Tejon. This authorization allows the Company to develop up to a maximum of 495 multi-family residences, in thirteen apartment buildings, as well as approximately 6,500 square feet of community amenity space and we anticipate construction beginning late 2022. All of these efforts are supported by diverse revenue streams generated from other operations including: farming, mineral resources, and our various joint ventures.

Our Business

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

Activities within the commercial/industrial real estate development segment include planning and permitting of land for development; construction of infrastructure; construction of pre-leased buildings; construction of buildings to be leased or sold;

and the sale of land to third parties for their own development. The commercial/industrial real estate development segment also includes activities related to the power plant lease and communications leases.

At the heart of the commercial/industrial real estate development segment is TRCC, a 20 million square foot commercial/industrial development on Interstate 5 just north of the Los Angeles basin. Six million square feet of industrial, commercial and retail space has already been developed, including distribution centers for IKEA, Caterpillar, Famous Footwear, L'Oreal, Camping World, and Dollar General. TRCC sits on both sides of Interstate 5, giving distributors immediate access to the west coast's principal north-south goods movement corridor.

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

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

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

- MV encompasses a total of 26,417 acres, of which 5,082 acres will be used for a mixed-use development that will include housing, retail, and commercial components. MV is entitled for 3,450 homes, 160,000 square feet of commercial development, 750 hotel keys, and more than 21,335 acres of open space. The first final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses was approved by Kern County in December 2021;
- The Centennial development is a mixed-use master planned community development encompassing 12,323 acres of our land within Los Angeles County. Upon completion of Centennial, it is estimated that the community will include approximately 19,333 homes and 10.1 million square feet of commercial development, including nearly 3,500 affordable units. Centennial had entitlements approved in December 2018 and received legislative approvals in April 2019 from the Los Angeles County Board of Supervisors. See Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information related to current litigation; and
- Grapevine is an 8,010-acre development area located on the San Joaquin Valley floor area of our lands, adjacent to TRCC. Upon completion of Grapevine, the community will include 12,000 homes, 5.1 million square feet for commercial development, and more than 3,367 acres of open space and parks. The 4,643 acres designated for mixed-use development will include housing, retail, commercial, and industrial components.

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

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

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

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

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

Summary of First Quarter 2022 Performance

For the three months ended March 31, 2022, the Company had a net income attributable to common stockholders of \$4,307,000 compared to a net loss of \$1,055,000 for the three months ended March 31, 2021. Improvements in the Company's operating results are attributed to the following: commercial land sale resulting in a \$3,937,000 increase in Commercial/Industrial operating profits, additional water sales resulting in a \$2,682,000 improvement in Mineral Resources operating profits, and improved joint venture operating results of \$1,272,000. Income tax expense increased accordingly by \$3,025,000 to reflect the improved operating results.

For the first three months of 2021, we had a net loss attributable to common stockholders of \$1,055,000 compared to a net loss of \$682,000 during the first three months of 2020. The primary driver of this decrease was a \$1,414,000 decrease in the equity in earnings of unconsolidated joint ventures. For the quarter, Petro Travel Plaza Holdings experienced significant declines in fuel margins resulting from higher fuel costs. Additionally, full-service restaurant margins within the Petro joint venture decreased due to ongoing closures during the period, driven by operating capacity limitations under California's Blueprint for a Safer Economy. The decline in operating results from our joint ventures was offset by a \$998,000 increase in mineral resources revenues, driven by increased water sales due, in part, to drier conditions statewide which led to a lower SWP allocation over the comparative period.

This Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative discussion of our results of operations. It contains the results of operations for each reporting segment of the business and is followed by a discussion of our financial position. It is useful to read the reporting segment information in conjunction with Note 14 (Reporting Segments and Related Information) of the Notes to Unaudited Consolidated Financial Statements.

Critical Accounting Estimates

The preparation of our interim financial statements in accordance with generally accepted accounting principles in the United States, or GAAP, requires us to make estimates and judgments that affect the reported amounts for assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimates that are likely to occur from period to period, use of different estimates that we reasonably could have used in the current period, or would have a material impact on our financial condition or results of operations. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, impairment of long-lived assets, capitalization of costs, allocation of costs related to land sales and leases, stock compensation, our future ability to utilize deferred tax assets, and defined benefit retirement plan. 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 three months ended March 31, 2022, our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021. Please refer to that filing for a description of our critical accounting policies. Please also refer to Note 1 (Basis of Presentation) in the Notes to Unaudited Consolidated Financial Statements in this report for newly adopted accounting principles.

Results of Operations by Segment

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

Real Estate – Commercial/Industrial:

(\$ in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Commercial/industrial revenues				
Pastoria Energy Facility	\$ 996	\$ 1,016	\$ (20)	(2)%
TRCC Leasing	388	399	(11)	(3)%
TRCC management fees and reimbursements	585	186	399	215 %
Commercial leases	154	142	12	8 %
Communication leases	253	227	26	11 %
Landscaping and other	292	258	34	13 %
Land sale	4,681	—	4,681	100 %
Total commercial/industrial revenues	\$ 7,349	\$ 2,228	\$ 5,121	230 %
Total commercial/industrial expenses	\$ 2,736	\$ 1,552	\$ 1,184	76 %
Operating income from commercial/industrial	\$ 4,613	\$ 676	\$ 3,937	582 %

- Commercial/industrial real estate development segment revenues were \$7,349,000 for the three months ended March 31, 2022, an increase of \$5,121,000, or 230%, from \$2,228,000 for the three months ended March 31, 2021. The increase is attributed to a land sale to a third party for a 12.3-acre parcel for total consideration of \$4,681,000.
- Commercial/industrial real estate development segment expenses were \$2,736,000 for the three months ended March 31, 2022, an increase of \$1,184,000, or 76%, from \$1,552,000 for the three months ended March 31, 2021. This increase is primarily attributed to recognizing cost of land sales associated with the 12.3-acre parcel noted above.

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

Our Foreign Trade Zone (FTZ) designation allows businesses to secure the many benefits and cost reductions associated with streamlined movement of goods in and out of the trade zone. This FTZ designation is further supplemented by the Advance Kern Incentive Program, or AKIP, adopted by the Kern County Board of Supervisors. AKIP is aimed to expand and enhance the County's competitiveness by taking affirmative steps to attract new businesses and to encourage the growth and resilience of existing businesses. AKIP provides incentives such as assistance in obtaining tax incentives, building supporting infrastructure, and workforce development.

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

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

disadvantage of our distance from the ports is being mitigated. Strong demand for large distribution facilities is driving development farther east in a search for large, entitled parcels.

During the quarter ended March 31, 2022, vacancy rates in the Inland Empire dipped another 20 basis points to a historical low of 0.3%, leading to an increase in lease rate of 18.7%, both setting new records when compared to the fourth quarter of 2021. Demand for Inland Empire logistics space continues to be strong, as net absorption reached 3.1 million square feet. As lease rates increase in the Inland Empire, we may experience greater pricing advantages due to our lower land basis.

During the quarter ended March 31, 2022, vacancy rates in the San Fernando Valley and Ventura County were unchanged at 0.5% quarter over quarter and 120 basis points below its mark from one year ago. Rents are at \$1.16 square feet, which increased by 5% over the fourth quarter of 2021.

Industrial vacancy rates are expected to remain low, and industrial users seeking larger spaces are going further north into neighboring Kern County, and particularly, TRCC, which has attracted increased attention as market conditions continue to tighten. Additionally, TRCC is in a position to capture tenant awareness due to our ability to provide a competitive alternative for users in the Inland Empire and the Santa Clarita Valley. The Company's TRC-MRC 4 joint venture is currently constructing a 629,274 square foot industrial building while Scannell Properties, a third-party land purchaser, is building a 252,000 square foot industrial building.

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

The actual timing and completion of development is difficult to predict due to the uncertainties of the market. Infrastructure development and marketing activities and costs could continue to increase over several years as we develop our land holdings. We will also continue to evaluate land resources to determine the highest and best uses for our land holdings. Future land sales are dependent on market circumstances and specific opportunities. Our goal in the future is to increase land value and create future revenue growth through planning and development of commercial and industrial properties.

Real Estate – Resort/Residential:

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

Resort/residential real estate development segment expenses were \$423,000 for the three months ended March 31, 2022, a decrease of \$130,000, or 24%, from \$553,000 for the three months ended March 31, 2021. The decrease is attributed to additional payroll capitalized to qualifying real estate development projects.

Our long-term business plan of developing the communities of MV, Centennial, and Grapevine remains unchanged. As home buyer trends change in California to a more suburban orientation and the economy stabilizes, we believe the perception of land values will continue to improve. Long-term macro fundamentals, primarily California's population growth and household formation will also support housing demand in our region. California also has a significant documented housing shortage, which we believe our communities will help ease as the population base within California continues to grow. Most of the expenditures and capital investment to be incurred within our resort/residential real estate segment are expected to continue to focus on the mixed use master planned communities of Centennial, Grapevine, and Mountain Village.

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

Mineral Resources:

(\$ in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Mineral resources revenues				
Oil and gas	\$ 274	\$ 174	\$ 100	57 %
Cement	583	466	117	25 %
Rock aggregate	251	258	(7)	(3)%
Exploration leases	43	25	18	72 %
Water Sales	10,157	6,252	3,905	62 %
Reimbursables and other	660	1	659	65,900 %
Total mineral resources revenues	\$ 11,968	\$ 7,176	\$ 4,792	67 %
Total mineral resources expenses	\$ 7,157	\$ 5,047	\$ 2,110	42 %
Operating income from mineral resources	\$ 4,811	\$ 2,129	\$ 2,682	126 %

- Mineral resources segment revenues were \$11,968,000 for the three months ended March 31, 2022, an increase of \$4,792,000, or 67%, from \$7,176,000 for the three months ended March 31, 2021. The dry 2021/2022 winter diminished water availability in California and eventually resulted in a SWP allocation of 5%. As a result, the Company generated \$3,905,000 in additional water sales during the quarter ended March 31, 2022. Comparatively the Company sold 6,970 and 5,881 acre-feet of water as of March 31, 2022 and 2021, respectively. The remainder of the increase is attributed to the timing of property tax reimbursements from our mineral leases.
- Mineral resources segment expenses were \$7,157,000 for the three months ended March 31, 2022, an increase of \$2,110,000, or 42%, from \$5,047,000 for the three months ended March 31, 2021. This increase in expenses is primarily attributed to an increase in water cost of sales resulting from the increased water sales volumes along with the prices associated with the mix of water sold.

As anticipated changes arise in the future related to groundwater management in California, such as limits on groundwater pumping in over drafted water basins outside of our lands, we believe that our water assets, including water banking operations, ground water recharge programs, and access to water contracts like those we have purchased in the past, will become even more important and valuable in servicing our projects and providing opportunities for water sales to third parties. With 2021 and the first quarter of 2022 being drought periods, local water market participants had few alternative water sources. Current forecasts indicate that this trend may continue beyond the first quarter of 2022, which may lead to favorable water sales opportunities.

The price per barrel of oil has increased over 42% from December 31, 2021 levels. California Resources Corporation, or CRC, our largest oil royalty tenant currently has 13 wells in production, with the expectation of returning more wells into production in the near future. So far in 2022, we have seen a small increase in oil production. Prices for oil, natural gas fluctuate in response to relatively minor changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, such as: changes in domestic and global supply and demand, domestic and global inventory levels, political and regulatory conditions in California, and international disputes such as current conflicts in Eastern Europe.

Farming:

(\$ in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Farming revenues				
Almonds	\$ 483	\$ 304	\$ 179	59 %
Pistachios	—	14	\$ (14)	(100)%
Wine grapes	—	16	\$ (16)	(100)%
Hay	114	129	(15)	(12)%
Other	58	144	(86)	(60)%
Total farming revenues	\$ 655	\$ 607	\$ 48	8 %
Total farming expenses	\$ 1,762	\$ 1,478	\$ 284	19 %
Operating loss from farming	\$ (1,107)	\$ (871)	\$ (236)	27 %

- Farming segment revenues were \$655,000 for the three months ended March 31, 2022, an increase of \$48,000, or 8%, from \$607,000 during the same period in 2021. The improvement is primarily attributed to an \$185,000 increase in almond revenues. Comparatively, we sold 269,000 and 161,000 pounds of almonds as of March 31, 2022 and 2021, respectively. This increase was offset by a \$74,000 decline in water usage reimbursements associated with a farmland lease.
- Farming segment expenses were \$1,762,000 for the three months ended March 31, 2022, an increase of \$284,000, or 19%, from \$1,478,000 during the same period in 2021. The increase in expenses resulted from higher fixed water costs resulting from increased costs associated with maintaining local water district infrastructure.

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

Weather conditions can also impact the number of tree and vine dormant hours, which are integral to tree and vine growth. We will not know the impact of current weather conditions on 2022 production until the summer of 2022. Thus far, we have experienced a warm winter, which reduces the number of chilling hours for our pistachio and almond trees. In the past, this has had a very adverse effect on pistachio yields. The current SWP allocation of 5% alone is inadequate for our farming needs. As such, management will use a portion of the Company's water sources to cover any shortfall and may incur additional water delivery charges, which will increase overall 2022 crop production costs.

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

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

Ranch Operations:

(\$ in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Ranch Operations revenues				
Game management and other ¹	\$ 702	\$ 646	\$ 56	9 %
Grazing	346	397	(51)	(13)%
Total Ranch Operations revenues	\$ 1,048	\$ 1,043	\$ 5	— %
Total Ranch Operations expenses	\$ 1,315	\$ 1,187	\$ 128	11 %
Operating loss from Ranch Operations	\$ (267)	\$ (144)	\$ (123)	85 %

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 \$1,048,000 for the three months ended March 31, 2022, an increase of \$5,000, or 0%, from \$1,043,000 for the same period in 2021. The fluctuation is in line with expectations
- Ranch operations expenses were \$1,315,000 for the three months ended March 31, 2022, an increase of \$128,000, or 11%, from \$1,187,000 for the same period in 2021. This increase is primarily attributed to an increase in repairs and maintenance costs resulting from a shift in business strategy. Historically, the Company has maintained property grounds using internal sources, during 2022 we began outsourcing this effort which is attributing to the aforementioned increase in repairs and maintenance costs during the quarter.

Corporate and Other:

Corporate general and administrative costs were \$2,415,000 for the three months ended March 31, 2022, an increase of \$124,000, or 5%, from \$2,291,000 for the same period in 2021. The increase in 2022 is attributed to the fact that the Company did not have an in-house counsel during the first quarter of 2021.

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

Joint Ventures:

(\$ in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	\$ 1,161	\$ 146	\$ 1,015	695 %
Five West Parcel, LLC	—	—	—	— %
18-19 West, LLC	—	(17)	17	(100)%
TRCC/Rock Outlet Center, LLC	(207)	(344)	137	(40)%
TRC-MRC 1, LLC	9	43	(34)	(79)%
TRC-MRC 2, LLC	172	168	4	2 %
TRC-MRC 3, LLC	79	(55)	134	(244)%
TRC-MRC 4, LLC	(1)	—	(1)	100 %
Total equity in earnings	\$ 1,213	\$ (59)	\$ 1,272	(2,156)%

- Equity in earnings were \$1,213,000 for the three months ended March 31, 2022, an increase of \$1,272,000, from a loss of \$59,000 during the same period in 2021. The improvement is primarily attributed to the Company's Petro joint venture that saw an increase in overall traffic and fuel sales volumes when compared to the prior year. Additionally, the joint venture's full service restaurants were open during the first quarter of 2022, but were closed due to COVID-19 mandates during the same period in 2021.

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

General Outlook

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

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

Income Taxes

For the three months ended March 31, 2022, the Company had net income tax expense of \$3,046,000 compared to \$21,000 for the three months ended March 31, 2021. The effective tax rates approximated 41% and -2% for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, income tax payables were \$4,591,000. The Company classifies interest and penalties incurred on tax payments as income tax expenses. The Company's effective tax rates were higher than statutory rates primarily because permanent differences related to Section 162(m) limitations and discrete tax expense associated with stock compensation. The Section 162(m) compensation deduction limitations occurred due to changes in tax law arising from the 2017 Tax Cuts and Jobs Act. The discrete item was triggered when stock grants were issued to participants at a price less than the original grant price, causing a deferred tax shortfall. The shortfall recognized during the quarter represents the reversal of excess deferred tax assets recognized in prior periods. The recognition of the shortfall is not anticipated to have a material impact on the Company's current income tax payable.

Cash Flow and Liquidity

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

To enhance shareholder value over the long-term, we expect to continue to make investments in our real estate segments to secure land entitlement approvals, build infrastructure for our developments, provide adequate water supplies, and provide

funds for general land development activities. Within our farming segment, we intend to make investments as needed to improve efficiency and add capacity to its operations when it is profitable to do so.

Our cash, cash equivalents and marketable securities totaled \$56,242,000 as of March 31, 2022, an increase of \$9,064,000 from \$47,178,000 as of December 31, 2021.

The following table shows our cash flow activities for the three months ended March 31,

<i>(in thousands)</i>	2022		2021	
Operating activities	\$	7,984	\$	3,714
Investing activities	\$	(5,243)	\$	(11,679)
Financing activities	\$	(2,231)	\$	(2,032)

Operating Activities

During the first three months of 2022, the Company's operations provided \$7,984,000 primarily as a result distributions of earnings from unconsolidated joint ventures.

During the first three months of 2021, the Company's operations provided \$3,714,000. The primary driver included collection of outstanding receivables.

Investing Activities

During the first three months of 2022, investing activities used \$5,243,000. The Company made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of \$4,432,000, which includes predevelopment activities for our master planned communities; \$517,000 consisting of permitting efforts for MV; \$156,000 consisting of permitting efforts for Grapevine, and costs related to litigation defense for Centennial of \$1,274,000. At TRCC, we spent \$642,000 on infrastructure improvements, qualifying costs related to land development and the residential community at TRCC-East. Within our farming segment, we spent \$1,673,000 which includes cultural costs for orchards not currently in production and replacing machinery and equipment. Lastly, the Company used \$941,000 to acquire water assets.

During the first three months of 2021, investing activities used \$11,679,000. The Company made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of \$5,218,000, which includes predevelopment activities for our master planned communities; \$1,064,000 consisting of planning and permitting primarily related to the preparation of final maps for Phase 1 of MV; expenditures relating to litigation of \$293,000 for Grapevine, and costs related to litigation defense for Centennial of \$529,000. At TRCC, we spent \$721,000 on water treatment infrastructure improvements and road improvements tied to the ongoing development of the industrial building currently under construction at TRCC-East. Within our farming segment, we spent \$2,178,000, which includes cultural costs for orchards not currently in production and replacing machinery and equipment. We also invested \$5,715,000 in marketable securities. Lastly, the Company used \$1,653,000 to acquire long-term water assets.

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

Our estimated capital investment, inclusive of capitalized interest and payroll, for the remainder of 2022 is primarily related to our real estate projects. These estimated investments include approximately \$12,074,000 of infrastructure development at TRCC-East to support continued commercial retail and industrial development and to expand water facilities to support future anticipated absorption. We also plan to invest approximately \$1,664,000 for cultural costs tied to new almond orchards and vineyards, and to replace farm equipment. The farm investments are part of a long-term farm management program to redevelop declining orchards and vineyards to maintain and improve future farm revenues. Lastly, we expect to invest up to \$6,566,000 for land planning, litigation/appeals, federal and state agency permitting activities, and development activities at MV, Centennial, and Grapevine during the remainder of 2022.

We capitalize interest cost as a cost of the project only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the three months ended March 31, 2022 and 2021, was \$579,000 and \$624,000, respectively, and is classified within real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects which aggregated \$719,000 and \$519,000 for the three months ended March 31, 2022 and 2021, respectively. Expenditures for repairs and maintenance are expensed as incurred.

Financing Activities

During the first three months of 2022, financing activities used \$2,231,000, which was attributable to long-term debt service of \$1,109,000 and tax payments on vested share grants of \$1,122,000.

During the first three months of 2021, financing activities used \$2,032,000, which was attributable to long-term debt service of \$1,066,000 and tax payments on vested share grants of \$966,000.

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

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

Capital Structure and Financial Condition

At March 31, 2022, total capitalization at book value was \$514,556,000, consisting of \$51,674,000 of debt and \$462,882,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 10.0%.

On October 13, 2014, the Company, as borrower, entered into an Amended and Restated Credit Agreement, a Term Note and a Revolving Line of Credit Note, with Wells Fargo, or collectively the Credit Facility. The Credit Facility added a \$70,000,000 term loan, or Term Loan, to the then existing \$30,000,000 revolving line of credit, or RLC. In August 2019, the Company amended the Term Note (Amended Term Note) and extended its maturity to June 2029 and amended the RLC to expand the capacity from \$30,000,000 to \$35,000,000 and extend the maturity to October 5, 2024.

The Amended Term Note had a \$49,790,000 balance as of March 31, 2022. The interest rate per annum applicable to the Amended Term Loan is LIBOR (as defined in the Amended Term Note) plus a margin of 170 basis points. The interest rate for the term of the Amended Term Note has been fixed through the use of an interest rate swap at a rate of 4.16%. The Amended Term Note requires monthly amortization payments pursuant to a schedule set forth in the Amended Term Note, with the final outstanding principal amount due June 5, 2029. The Amended Credit Facility is secured by the Company's farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The RLC had no outstanding balance as of March 31, 2022 and December 31, 2021. At the Company's option, the interest rate on this line of credit can float at 1.50% over a selected LIBOR rate or can be fixed at 1.50% above LIBOR for a fixed rate term. During the term of this RLC (which matures in October 2024), the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary.

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

The Amended Credit Facility requires compliance with three financial covenants: (a) total liabilities divided by tangible net worth not greater than 0.75 to 1.0 at each quarter end; (b) a debt service coverage ratio not less than 1.25 to 1.00 as of each quarter end on a rolling four quarter basis; and (c) maintain liquid assets equal to or greater than \$20,000,000. At March 31, 2022 and December 31, 2021, the Company was in compliance with those financial covenants.

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

The Amended Credit Facility contains customary events of default, including: failure to make required payments; failure to comply with terms of the Amended Credit Facility; bankruptcy and insolvency; and a change in control without consent of bank

(which consent will not be unreasonably withheld). The Amended Credit Facility contains other customary terms and conditions, including representations and warranties, which are typical for credit facilities of this type.

The Company also has a \$4,750,000 promissory note agreement whose principal and interest due monthly began October 1, 2013. The interest rate on this promissory note is 4.25% per annum, with principal and interest payments ending on September 1, 2028. The balance as of March 31, 2022 was \$1,884,000.

Current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from ongoing operations, distributions from joint ventures, proceeds from the sale of developed and undeveloped land parcels, potential sales of assets, additional use of debt or drawdowns against our line of credit, proceeds from the reimbursement of public infrastructure costs through CFD bond debt (described below under “Off-Balance Sheet Arrangements”), and the issuance of additional common stock.

In May 2019, we filed an updated shelf registration statement on Form S-3, which went effective in May 2019. Under the shelf registration statement, we may offer and sell in the future one or more offerings not to exceed \$200,000,000, common stock, preferred stock, debt securities, warrants or any combination of the foregoing. The shelf registration allows for efficient and timely access to capital markets and when combined with our other potential funding sources just noted, provides us with a variety of capital funding options that can then be used and appropriately matched to the funding needs of the Company.

Although we have a strong liquidity position at March 31, 2022 with \$56,242,000 in cash and securities and \$35,000,000 available on our RLC to meet any short-term liquidity needs, we have taken steps to maximize positive cash flow, in case a lack of liquidity in the economy limits our access to third party funding by responsibly limiting cash expenditures to the extent practical. See Note 3 (Marketable Securities) and Note 7 (Line of Credit and Long-Term Debt) of the Notes to Unaudited Consolidated Financial Statements for more information.

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

Contractual Cash Obligations

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

(In thousands)	Payments Due by Period				
	Total	One Year or Less	Years 2-3	Years 4-5	Thereafter
Contractual Obligations:					
Estimated water payments	\$ 277,288	\$ 11,632	\$ 24,321	\$ 25,804	\$ 215,531
Long-term debt	51,674	4,531	9,700	10,569	26,874
Interest on long-term debt	10,083	2,051	3,513	2,668	1,851
Cash contract commitments	8,850	5,605	1,656	518	1,071
Defined Benefit Plan	4,568	317	712	973	2,566
SERP	5,099	526	997	1,115	2,461
Financing fees	163	163	—	—	—
Total contractual obligations	\$ 357,725	\$ 24,825	\$ 40,899	\$ 41,647	\$ 250,354

The categories above include purchase obligations and other long-term liabilities reflected on our balance sheet under GAAP. We define a “purchase obligation” a “an agreement to purchase goods or services that is enforceable and legally binding on the registrant that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.” Based on this definition, the table above includes only those contracts that include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

Estimated water payments include the Nickel Family, LLC water contract, which obligates us to purchase 6,693 acre-feet of water annually through 2044 and SWP contracts with Wheeler Ridge Maricopa Water Storage District, TCWD, Tulare Lake Basin Water Storage District, and Dudley-Ridge Water Storage District. These contracts for the supply of future water run through 2035. Please refer to Note 5 (Long-Term Water Assets) of the Notes to Consolidated Financial Statements for additional information regarding water assets.

Our cash contract commitments consist of contracts in various stages of completion related to infrastructure development within our industrial developments and entitlement costs related to our industrial and residential development projects. Also included in the cash contract commitments are operating lease obligations. Our operating lease obligations are for office equipment. At the present time, we do not have any capital lease obligations or purchase obligations outstanding.

As discussed in Note 13 (Retirement Plans) of the Notes to Unaudited Consolidated Financial Statements, we have long-term liabilities for deferred employee compensation, including pension and supplemental retirement plans. Payments in the above table reflect estimates of future defined benefit plan contributions from the Company to the plan trust, estimates of payments to employees from the plan trust, and estimates of future payments to employees from the Company that are in the SERP program. We expect to contribute \$165,000 to our defined benefit plan in 2022.

Off-Balance Sheet Arrangements

The following table shows contingent obligations we have with respect to certain bonds issued by the CFDs:

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

The Tejon Ranch Public Facilities Financing Authority, or TRPFFA, is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. TRPFFA created two CFDs, the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to \$28,620,000 of bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to \$75,965,000 of bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has approximately \$44,035,000 of additional bond debt authorized by TRPFFA.

In connection with the sale of the bonds there is a standby letter of credit for \$4,393,000 related to the issuance of East CFD bonds. The standby letter of credit is in place to provide additional credit enhancement and cover approximately two years' worth of interest on the outstanding bonds. This letter of credit will not be drawn upon unless the Company, as the largest landowner in the CFD, fails to make its property tax payments. As development occurs within TRCC-East, there is a mechanism in the bond documents to reduce the amount of the letter of credit. The Company believes as of March 31, 2022, that the letter of credit will likely never be drawn upon. This letter of credit is for a two-year period and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately \$68,000. The tax assessment of each individual property sold or leased within each CFD is not determinable at this time because it is based on the current tax rate of the property at the time of sale or at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation as of March 31, 2022.

As of March 31, 2022, aggregate outstanding debt of unconsolidated joint ventures was \$148,679,000. We provided a guarantee on \$134,022,000 of this debt, relating to our joint ventures with Rockefeller and Majestic. Because of positive cash flow generation within the Rockefeller and Majestic joint ventures, we, as of March 31, 2022, do not expect the guarantee to be called upon. We do not provide a guarantee on the \$14,657,000 of debt related to our joint venture with TA/Petro.

Non-GAAP Financial Measures

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ 4,314	\$ (1,063)
Net income (loss) attributable to non-controlling interest	7	(8)
Net income (loss) attributable to common stockholders	4,307	(1,055)
Interest, net		
Consolidated	(17)	(7)
Our share of interest expense from unconsolidated joint ventures	591	624
Total interest, net	574	617
Income taxes	3,046	21
Depreciation and amortization:		
Consolidated	967	965
Our share of depreciation and amortization from unconsolidated joint ventures	1,149	1,175
Total depreciation and amortization	2,116	2,140
EBITDA	10,043	1,723
Stock compensation expense	1,219	1,276
Adjusted EBITDA	\$ 11,262	\$ 2,999

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Commercial/Industrial operating income	\$ 4,613	\$ 676
Plus: Commercial/Industrial depreciation and amortization	116	116
Plus: General, administrative, cost of sales and other expenses	2,518	1,338
Less: Other revenues including land sales	(5,559)	(434)
Total Commercial/Industrial net operating income	\$ 1,688	\$ 1,696

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Net operating income		
Pastoria Energy Facility	\$ 993	\$ 1,012
TRCC	304	318
Communication leases	246	221
Other commercial leases	145	145
Total Commercial/Industrial net operating income	\$ 1,688	\$ 1,696

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

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

(\$ in thousands)	Three Months Ended March 31,	
	2022	2021
Net income of unconsolidated joint ventures	\$ 2,040	\$ (167)
Interest expense of unconsolidated joint ventures	1,166	1,232
Operating income of unconsolidated joint ventures	3,206	1,065
Depreciation and amortization of unconsolidated joint ventures	2,143	2,214
Net operating income of unconsolidated joint ventures	\$ 5,349	\$ 3,279

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Financial Market Risks

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

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

The RLC had no outstanding balance as of March 31, 2022. The interest rate on the RLC can either float at 1.50% over a selected LIBOR rate or can be fixed at 1.50% above LIBOR for a fixed term for a limited period of time and change only at maturity of the fixed rate portion. The floating rate and fixed rate options within our RLC help us manage our interest rate exposure on any outstanding balances.

We are exposed to interest rate risk on our long-term debt. Long-term debt consists of two term loans, one of which has a balance of \$49,790,000 as of March 31, 2022 and is tied to LIBOR plus a margin of 1.70%. The interest rate for the term of this loan has been fixed through the use of an interest rate swap that fixed the rate at 4.16%. The outstanding balance on the second term loan as of March 31, 2022 was \$1,884,000 and has a fixed rate of 4.25%. We believe it is prudent at times to limit the variability of floating-rate interest payments and have from time to time entered into interest rate swap arrangements to manage those fluctuations, as we did with the first term loan (discussed here).

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

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

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At March 31, 2022
(In thousands except percentage data)

	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Assets:								
Marketable securities	\$11,851	\$7,611	\$—	\$—	\$—	\$—	\$19,462	\$19,537
Weighted average interest rate	0.50%	1.31%	—%	—%	—%	—%	0.85%	
Liabilities:								
Long-term debt (\$4.75M note)	\$192	\$265	\$277	\$289	\$302	\$559	\$1,884	\$1,884
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt (Amended Term Loan)	\$3,174	\$4,429	\$4,624	\$4,825	\$5,038	\$27,700	\$49,790	\$49,790
Weighted average interest rate	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At December 31, 2021
(In thousands except percentage data)

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
Assets:								
Marketable securities	\$9,834	\$756	\$—	\$—	\$—	\$—	\$10,590	\$10,983
Weighted average interest rate	0.20%	0.22%	—%	—%	—%	—%	0.20%	
Liabilities:								
Long-term debt (\$4.75M note)	\$254	\$265	\$277	\$289	\$302	\$560	\$1,947	\$1,947
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt (\$70.0M note)	\$4,221	\$4,429	\$4,624	\$4,825	\$5,038	\$27,700	\$50,837	\$50,837
Weighted average interest rate	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	

Commodity Price Exposure

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

With respect to accounts receivables, the amount at risk primarily relates to farm crops. These receivables are recorded as estimates of the prices that ultimately will be received for the crops. The final price is generally not known for several months following the close of our fiscal year. Of the \$3,275,000 of accounts receivable outstanding at March 31, 2022, \$1,505,106, or 46%, pertains to pistachio sales receivables that are at risk to changing prices.

The price estimated for the remaining accounts receivable for pistachios recorded at March 31, 2022 was \$2.14 per pound and compared to \$2.04 at December 31, 2021 levels. For each \$0.01 change in the price per pound of pistachios, our receivable for pistachios increases or decreases by \$7,000. Although the final price per pound of pistachios, and therefore the extent of the risk is presently unknown, pricing over the past three years has ranged from \$1.98 to \$2.14.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits:

3.1	Restated Certificate of Incorporation	FN 1
3.2	Amended and Restated Bylaws	FN 2
4.3	Registration and Reimbursement Agreement	FN 5
4.5	Form of Indenture for Debt	FN 37
10.1	Water Service Contract with Wheeler Ridge-Maricopa Water Storage District (without exhibits), amendments originally filed under Item 11 to Registrant's Annual Report on Form 10-K	FN 6
10.7	*Severance Agreement	FN 7
10.8	*Director Compensation Plan	FN 7
10.9	*Amended and Restated Non-Employee Director Stock Incentive Plan	FN 8
10.9(1)	*Stock Option Agreement Pursuant to the Non-Employee Director Stock Incentive Plan	FN 7
10.10	*Amended and Restated 1998 Stock Incentive Plan	FN 9
10.10(1)	*Stock Option Agreement Pursuant to the 1998 Stock Incentive Plan	FN 7
10.12	Ground Lease with Pastoria Energy Facility L.L.C.	FN 10
10.15	Form of Securities Purchase Agreement	FN 11
10.16	Form of Registration Rights Agreement	FN 12
10.17	*2004 Stock Incentive Program	FN 13
10.18	*Form of Restricted Stock Agreement for Directors	FN 13
10.19	*Form of Restricted Stock Unit Agreement	FN 13
10.23	Limited Liability Company Agreement of Tejon Mountain Village LLC	FN 14
10.24	Tejon Ranch Conservation and Land Use Agreement	FN 15
10.25	Second Amended and Restated Limited Liability Agreement of Centennial Founders, LLC	FN 16
10.26	*Executive Employment Agreement - Allen E. Lyda	FN 17
10.27	Limited Liability Company Agreement of TRCC/Rock Outlet Center LLC	FN 18
10.28	Warrant Agreement	FN 19
10.29	Amendments to Limited Liability Company Agreement of Tejon Mountain Village LLC	FN 20
10.30	Membership Interest Purchase Agreement - Tejon Mountain Village LLC	FN 21
10.31	Amended and Restated Credit Agreement	FN 22
10.32	Term Note	FN 25

10.33	Revolving Line of Credit	FN 36
10.34	Amendments to Lease Agreement with Pastoria Energy Facility L.L.C.	FN 23
10.35	Water Supply Agreement with Pastoria Energy Facility L.L.C.	FN 24
10.37	Limited Liability Company Agreement of TRC-MRC 2, LLC	FN 26
10.38	Limited Liability Company Agreement of TRC-MRC 1, LLC	FN 27
10.39	Centennial Founders LLC, Redemption and Withdrawal Agreement - Lewis Tejon Member, LLC	FN 28
10.40	First Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 29
10.41	Second Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 30
10.42	Limited Liability Company Agreement of TRC-MRC 3, LLC	FN 31
10.43	Fourth Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 32
10.44	Centennial Founders, LLC Redemption and Withdrawal Agreement - CalAtlantic	FN 33
10.45	Amended Revolving Line of Credit	FN 34
10.46	Amended Term Note	FN 35
10.47	*Executive Officer Severance Agreement - Gregory S. Bielli	FN 38
10.48	Limited Liability Company Agreement of TRC-MRC 4, LLC	FN 39
10.49	Settlement Agreement of CEQA litigation with Climate Resolve	FN 40
10.50	Limited Liability Company Agreement of TRC-MRC Multi I, LLC	FN 41
10.51	Limited Liability Company Agreement of TRC-MRC 5, LLC	Filed herewith
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	
	* Management contract, compensatory plan or arrangement.	

FN 1	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended June 30, 2021, is incorporated herein by reference.
FN 2	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 99.1 to our Current Report on Form 8-K filed on May 26, 2020, is incorporated herein by reference.
FN 5	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.1 to our Current Report on Form 8-K filed on December 20, 2005, is incorporated herein by reference.
FN 6	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference. This Exhibit was not filed with the Securities and Exchange Commission in an electronic format.
FN 7	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.
FN 8	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.

- FN 9 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference
- FN 10 This document filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.
- FN 11 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.1 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
- FN 12 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.2 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
- FN 13 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibits 10.21-10.23 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.
- FN 14 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.24 to our Current Report on Form 8-K filed on May 24, 2006, is incorporated herein by reference.
- FN 15 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.28 to our Current Report on Form 8-K filed on June 23, 2008, is incorporated herein by reference.
- FN 16 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.25 to our Quarterly Report on Form 10-Q for the period ended June 30, 2009, is incorporated herein by reference.
- FN 17 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.26 to our Quarterly Report on Form 10-Q for the period ended March 31, 2013, for the period ended March 31, 2013, is incorporated herein by reference.
- FN 18 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.27 to our Current Report on Form 8-K filed on June 4, 2013, is incorporated herein by reference.
- FN 19 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2013, is incorporated herein by reference.
- FN 20 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.29 to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2013, is incorporated herein by reference.
- FN 21 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.30 to our Current Report on Form 8-K filed on July 16, 2014, is incorporated herein by reference.
- FN 22 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibits 10.31 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 23 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2014, is incorporated herein by reference.
- FN 24 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.35 to our Quarterly Report on Form 10-Q for the period ended June 30, 2015, is incorporated herein by reference.
- FN 25 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.32 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 26 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.37 to our Quarterly Report on Form 10-Q for the period ended June 30, 2016, is incorporated herein by reference.
- FN 27 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.38 to our Quarterly Report on Form 10-Q for the period ended September 30, 2016, is incorporated herein by reference.
- FN 28 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.39 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
- FN 29 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.40 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
- FN 30 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.

- FN 31 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.42 to our Quarterly Report on Form 10-Q for the period ended September 30, 2018, is incorporated herein by reference.
- FN 32 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.43 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
- FN 33 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.44 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
- FN 34 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.45 to our Quarterly Report on Form 10-Q for the period ended September 30, 2019, is incorporated herein by reference.
- FN 35 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.46 to our Quarterly Report on Form 10-Q for the period ended September 30, 2019, is incorporated herein by reference.
- FN 36 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.33 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 37 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 333-231032) as Exhibit 4.6 to our Registration Statement on Form S-3 filed on April 25, 2019, is incorporated herein by reference.
- FN 38 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.47 to our Annual Report on Form 10-K for the year ended December 31, 2019, is incorporated herein by reference.
- FN 39 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.48 to our Quarterly Report on Form 10-Q for the period ended March 31, 2021, is incorporated herein by reference.
- FN 40 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.49 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.
- FN 41 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.50 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.

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.

May 9, 2022
Date

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

May 9, 2022
Date

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

May 9, 2022
Date

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

**LIMITED LIABILITY COMPANY AGREEMENT
OF
TRC-MRC 5, LLC**

THIS LIMITED LIABILITY COMPANY AGREEMENT OF TRC-MRC 5, LLC is entered into effective as of March 29, 2022 (the "**Effective Date**"), by and between TEJON INDUSTRIAL CORP., a California corporation ("**Tejon**"), and MAJESTIC TEJON V, LLC, a Delaware limited liability company ("**Majestic**"). 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-MRC 5, 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 Michael Durham, c/o Majestic Realty Co., 13191 Crossroads Parkway North, 6th Floor, City of Industry, California 91746-3497. The principal office of the Company shall be at 13191 Crossroads Parkway North, 6th Floor, City of Industry, California 91746-3497. 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 that certain real property consisting of approximately twenty-seven and 21/100ths (27.21) acres of land located within the Tejon Ranch Commerce Center in the County of Kern, State of California, and described more particularly on Exhibit "B" attached hereto (the "**Property**"), (ii) to develop and construct upon the Property an approximately four hundred

forty-six thousand four hundred (446,400) square foot industrial building, 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, 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.

In furtherance of the foregoing terms of this Section 1.03, each Member shall make the initial contribution to the capital of the Company provided for in Section 3.01(a). Such contributions shall be applied (A) to reimburse each Member (and its Affiliates) for any costs paid by such Member (or Affiliate) to the extent provided in this Agreement, and/or (B) to pay directly the costs and expenses incurred by the Company after the Effective Date that are set forth in the Pre-Development Budget (as defined in Section 2.06). Any third-party reports, studies or other work product paid for, or reimbursed by, the Company shall be the property of the Company (regardless of whether such reports, studies or other work product was prepared prior to the formation of the Company). If the Executive Committee approves the business plan for the first Business Plan Period pursuant to Section 2.07 and the Company obtains the Construction Loan (described in Section 3.04), then Tejon shall contribute the Property to the Company in accordance with the terms of Section 3.01(b).

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 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 Joe Rentfro ("**Rentfro**") as its initial Representatives. Majestic hereby

appoints Brett Tremaine and Thomas Simmons 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 shall 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. 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 such impasse for any reason 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). Prior to the expiration of such thirty (30)-day period (or such longer period as is unanimously agreed to by the Representatives), neither Member may elect to commence the buy/sell procedure set forth in Article VIII as result of any Impasse Event.

2.03 Administrative Member

The Members hereby initially designate Majestic 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 use its commercially reasonable efforts to carry out the business and affairs of the Company and to devote such time to the Company as is necessary, in the reasonable discretion of the Administrative Member, for the efficient operation of the business and affairs of the Company. Subject to the terms of this Agreement (including Sections 2.04, 2.11, 2.12, 2.13 and 2.14, 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 including, without limitation, enforcing the Company's rights and benefits, and causing the Company to perform its duties and obligations, under each lease for space in the Project, and (vi) performing such other services 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, (B) the marketing and leasing management services delegated to the Administrative Member under Section 2.13, (C) the property management services delegated to the Administrative Member under Section 2.14, and (D) the reporting and accounting functions delegated to the Administrative Member under Article XI. The Administrative Member may not assign or delegate its duties or obligations under this Agreement without the prior written consent of the Executive Committee.

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;
- (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 including any applicable tenant improvements or any amendment, modification, extension or termination of any lease for all or any portion of the Project including any applicable tenant improvements;
- (e) Financing. The procurement of any financing or refinancing (including, without limitation, any acquisition, development, construction, 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 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 Commerce Construction Co., L.P., a California limited partnership ("**Commerce**"), in its capacity as architect and structural engineer, the selection and/or retention by the Company of any other architect or structural engineer in connection with the construction of any tenant improvements or the Improvements and the terms of any contract entered into by and between the Company and any such architect or engineer including, without limitation, any contract entered into by the Company with Commerce (and any amendment, modification or termination of any contract entered into by the Company with any architect or engineer);
- (h) Construction Contract. The selection and/or retention by the Company of any general contractor (other than Commerce) 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 any tenant improvements or the Improvements 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 Twenty-Five Thousand Dollars (\$25,000), or (iii) the aggregate cost of the change order under consideration, together with all prior change orders, exceeds One Hundred Thousand Dollars (\$100,000);

(j) Selection and Retention of Replacement Property Manager. The selection and/or retention by the Company of any property manager that will replace either the Administrative Member or 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;

(k) Selection and Retention of Attorneys. The selection and/or retention of any attorney by the Company;

(l) 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;

(m) Contracts with Affiliates. Except as provided in Sections 2.10, 2.11, 2.12, 2.13, 2.14, and 2.16, 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;

(n) Material Agreements. Except as provided in the Approved Business Plan, the execution or delivery by the Company of any agreement obligating the Company to pay an amount of more than One Hundred Thousand Dollars (\$100,000) 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;

(o) Rebuild. The election to rebuild all or any portion of the Project following a casualty in any case where the Company has the right to elect whether or not to rebuild under the applicable agreements to which the Company is a party;

- (p) Press Release. The making of any press release for any purpose relating to the Company or the Project;
- (q) Employees. The hiring of any employee by the Company;
- (r) 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;
- (s) Confess Judgments. The confession of a judgment against the Company for an amount that exceeds Fifty Thousand Dollars (\$50,000); the payment, compromise, settlement or other adjustment of any claims against the Company for an amount that exceeds Fifty Thousand Dollars (\$50,000); 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 Fifty Thousand Dollars (\$50,000);
- (t) 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;
- (u) 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;
- (v) 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;
- (w) 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;
- (x) Merger or Consolidation. The entry into by the Company of any merger, consolidation or other material corporate transaction;
- (y) Acquisition of Property. The acquisition of any property by the Company (other than the Property) and the terms and conditions for any such acquisition;

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

(aa) 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);

(bb) 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;

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

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

(ee) 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), (d), (e), (f), (g), (i) and (j) (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 best 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 a pre-development budget (the "**Pre-Development Budget**") for the Company, which is set forth on Exhibit "C" attached hereto. The Pre-Development Budget sets forth the estimated pre-development costs and expenses that will be incurred by the Company after the Effective Date. The pre-development costs and expenses include costs and expenses for the due diligence investigation and review of the Property and costs and expenses to obtain the approvals necessary to prepare the Development Plan and Development Budget. The pre-development costs and expenses may also include the estimated cost and expense that will be incurred by the Company to purchase or reserve the required steel structures for the Improvements if it is required to be purchased or reserved prior to the Property being contributed to the Company in order to avoid a delay in the development schedule for the Improvements (which may be funded by capital contributions made by the Members pursuant to Section 3.02 if necessary). Any amounts contributed by any Member to the Company to fund any pre-development costs including, without limitation, to purchase or reserve the steel structures for the Improvements 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). The Administrative Member shall not 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 one hundred eighty (180) days following the execution and delivery of this Agreement, Majestic 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 Majestic does not deliver the annual business plan for the first Business Plan Period to the Executive Committee within such one hundred eighty (180)-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 Majestic 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 Majestic 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 five (5) 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 of the annual business plan for the first Business Plan Period, the Company and Tejon shall execute and deliver that certain Contribution Agreement and Joint Escrow Instructions in the form attached hereto as Exhibit "D" (the "**Contribution Agreement**") (which shall be effective concurrently with 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) for the first Business Plan Period, a Development Plan and Development Budget as described in Section 2.08 for the Improvements; (iii) for the second Business Plan Period, the status of the construction of the Improvements; (iv) 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; (v) a Marketing Plan as described in Section 2.13 for the Improvements; and (vi) 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 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, 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) Twenty-Five Thousand Dollars (\$25,000), 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, the Administrative Member shall prepare an operating budget ("**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 Administrative Member 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. 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 such line item by more than ten percent (10%), after the application of any

contingency line item 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 (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

The Company shall hire Commerce, which is an Affiliate of Majestic, to act as the design builder for the construction of the Improvements (the "**Design-Builder**") under an open book arrangement pursuant to a guaranteed maximum price construction contract to be entered into by and between the Company and the Design-Builder substantially in the form attached hereto as Exhibit "E" (the "**Construction Contract**"). Within three (3) Business Days following the approval of the annual business plan for the first Business Plan Period by the Executive Committee pursuant to Section 2.07 (which shall include the Development Budget described in Section 2.08), the Company and Commerce shall execute and deliver the Construction Contract to the escrow for the Construction Loan (which shall be effective concurrently with the closing of the Construction Loan described in Section 3.04). Subject to any Force Majeure Delay, Majestic hereby agrees to use it commercially reasonable efforts to cause Commerce 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. Majestic shall provide Tejon with a copy of each bid received from each subcontractor on the date Majestic provides Tejon the final construction pricing.

Pursuant to the terms of the Construction Contract, the Company shall pay to the Design-Builder a fee equal to (A) three percent (3%) of the total Applicable Construction Costs as compensation for rendering the architectural and structural engineering services described in the Construction Contract, and (B) five percent (5%) of the total Applicable Construction Costs as compensation for rendering the design builder and other services described in the Construction Contract. The term "**Applicable Construction Costs**" means the actual "hard" and "soft" costs actually incurred by the Design-Builder in connection with the construction of the Improvements, subject to the guaranteed maximum price.

2.11 Development and Construction Management Services

The Administrative Member shall be responsible 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). The Administrative Member shall also be responsible for coordinating and supervising the services to

be provided by each such Consultant. Without limiting the generality of the foregoing, the Administrative Member shall work 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 supervise the development and construction of the Improvements.

Tejon shall assist in the general construction oversight activities and will coordinate with Commerce to address any construction related issues and matters. In addition, Tejon will take the lead role 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 providing the development services described in this Section 2.11, the Company shall pay to the Members a development fee ("**Development Fee**") equal to four percent (4%) of the "hard costs" actually incurred in connection with the development and construction of the Improvements. The Development Fee shall be paid and earned on the first day of each calendar month based upon the "hard costs" incurred by the Company in the preceding calendar month. The Administrative Member shall be entitled to receive seventy-five percent (75%) of the Development Fee and Tejon shall be entitled to receive twenty-five percent (25%) of the Development Fee. As consideration for providing the construction management services described in this Section 2.11, the Company shall also pay to Tejon a construction management fee equal to one percent (1%) of the Applicable Construction Costs incurred in connection with the development and construction of such Improvements.

2.12 Master Developer Work

Tejon, 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 (if any) described on Exhibit "G" attached hereto (the "**Master Developer Work**"), at Tejon'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 Majestic 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 for the review and input of Majestic; provided, however, the Executive Committee shall have the right to approve such plans and specifications (which approval shall not be unreasonably withheld, delayed or conditioned). Subject to any delays permitted by Section 13.23, Tejon shall be obligated to perform the Master Developer Work (if any) (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 Majestic with monthly updates of the Master Developer Work (if any), which has been performed or is contemplated to be performed in the future. As of the Effective Date, Tejon does not believe that any additional Master Developer Work is required. This shall be further evaluated by the Executive Committee prior to completion of the annual business plan for the Company's first Business Plan Period noted in Section 2.07. If Kern

County requires any Master Developer Work, then such Master Developer Work will be performed by Tejon at Tejon's sole cost and expense in accordance with this Section 2.12.

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 responsible for implementing each Marketing Plan on behalf of the Company (provided 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 a quarterly 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).

2.14 Property Management

The Administrative Member and the other Member shall jointly act as the property manager for the Project. In its capacity as a property manager for the Project, the Administrative Member 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. In its capacity as a property manager for the Project, Tejon shall be responsible for the repair and maintenance of the Project and customer service. Tejon may not assign or delegate its duties or obligations under this Section 2.14 without the prior written consent of the Executive Committee. As compensation for rendering the services described in this Section 2.14, (i) each Member shall be reimbursed for the reasonable third-party out-of-pocket costs incurred by such Member in rendering such services, and (ii) the Company shall pay to each Member a fee (the "**Property Management Fee**") equal to one and 5/10ths percent (1.5%) 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 the Administrative Member ceases to provide the property management services it is required to render under this Section 2.14 and Tejon thereafter provides such services, then the Property Management Fee that is otherwise payable to Majestic for the rendering of such services shall thereafter be paid to Tejon. If Tejon ceases to provide the property management services it is required to render under this Section 2.14 and Majestic

thereafter provides such services, then the Property Management Fee that is otherwise payable to Tejon for the rendering of such services shall thereafter be paid to Majestic.

2.15 Intentionally Deleted

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 Majestic, 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, (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, (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. Majestic 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. For the avoidance of any doubt, the Members acknowledge that the Construction Contract to be entered into by the Company and Commerce constitutes an Affiliate Agreement under this Agreement (as a result of Commerce being an Affiliate of Majestic).

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 resign upon no less than one hundred twenty (120) days prior written notice to the other Member. 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) 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) 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 sixty (60) days following the effective date of such notice, unless the cure or remedy cannot be reasonably completed within such sixty (60)-day period and the Administrative 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);

(ii) Fraud, Willful Misconduct, Gross Negligence, Etc. The fraud, willful misconduct, gross negligence or conviction of a crime involving moral turpitude by the Administrative Member (other than any misappropriation of funds described in clause (iii) below); or

(iii) 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, marketing and property management services described in Sections 2.11, 2.13 and 2.14, (ii) the other Member shall have the right, power and authority to designate each replacement Administrative Member (which may be the other Member (including a member, which previously served as the Administrative 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, marketing director and/or property manager including, without limitation, 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 707(c) 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 Construction Contract, 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, and any costs incurred by Tejon in creating the legal parcel or parcels comprising the Property shall not be subject to reimbursement. Any request for reimbursement by any Member pursuant to this Section 2.20 shall be accompanied by supporting documentation and shall be made within forty-five (45) 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

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, each of Tejon and Majestic 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. Each Member's Capital Account and Unreturned Contribution Account shall be credited by the amount contributed by such Member pursuant to this Section 3.01(a) on the date such contribution is made.

(b) Tejon Property and Related Contributions. In accordance with the terms of the Contribution Agreement, Tejon shall assign, transfer and contribute to the capital of the Company, Tejon's entire fee interest in and to the Property (subject to all liens, encumbrances and other permitted exceptions to title approved under the Contribution Agreement). The Property shall be contributed by Tejon 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 Seven Dollars (\$7.00) per square foot of the net usable land area, 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 agreed to by Tejon and Majestic under the Contribution Agreement (the "**Agreed Value**"). The Agreed Value shall be reduced by the amount of any net prorations and credits charged to Tejon 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 Eight Million Two Hundred Ninety-Six Thousand Eight Hundred Seventy-Three Dollars (\$8,296,873) (i.e., (total acreage of 27.21 acres x 43,560) x \$7.00 = \$8,296,873). 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.

(c) Majestic Balancing Contribution. Concurrently with the closing of the Construction Loan (and through the escrow established for the Construction Loan), Majestic shall contribute to the capital of the Company, in cash, an amount equal to fifty percent (50%) of the Agreed Value. Majestic'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 Majestic pursuant to this Section 3.01(c) 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 Majestic'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 (a "**Shortfall**") including, without limitation, insufficient funds to purchase or reserve the required steel structures for the Improvements (if the Executive Committee reasonably determines that steel structures need to be purchased or reserved prior to the Property being contributed to the Company in order to avoid a delay in the development schedule for the Improvements), then the Administrative Member shall give written notice (the "**Capital Call Notice**") of such Shortfall to the other Member. 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) upon which 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. If the Company has a Shortfall and the Administrative Member fails to deliver a Capital Call Notice so that the Company may timely satisfy any such Shortfall, then the other Member may deliver the Capital Call Notice pursuant to this Section 3.02. 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, nonusurious 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:

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

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 Two Million Three Hundred Thousand Dollars (\$2,300,000) (i.e., \$4,600,000 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% × \$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), which increases the balance standing in the Contributing Member's Unreturned Contribution Account and Capital Account (before taking into account the Adjustment Amount) from Two Million Three Hundred Thousand Dollars (\$2,300,000) to Two Million Seven Hundred Thousand Dollars (\$2,700,000) (i.e., \$2,300,000 + \$400,000 = \$2,700,000), respectively. 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 × 50% = \$100,000), and the Dilution Percentage would be equal to six (6) percentage, as calculated in accordance with the following formula:

$$6 = 150 \times \frac{\$200,000}{\$5,000,000}$$

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 Two Million Three Hundred Thousand Dollars (\$2,300,000) to Two Million Two Hundred Thousand Dollars (\$2,200,000) (i.e., \$2,300,000 - \$100,000 Adjustment Amount = \$2,200,000), and (BB) increased in the case of the Contributing Member from Two Million Seven Hundred Thousand Dollars (\$2,700,000) to Two Million Eight Hundred Thousand Dollars (\$2,800,000) (i.e., \$2,700,000 + \$100,000 Adjustment Amount = \$2,800,000), (y) the Percentage Interest of each Member would be (AA) decreased in the case of the Non-Contributing Member by six (6) percentage points

from fifty percent (50%) to forty-four percent (44%) (i.e., $50\% - 6\% = 44\%$), and (BB) increased in the case of the Contributing Member by six (6) percentage points from fifty percent (50%) to fifty-six percent (56%) (i.e., $50\% + 6\% = 56\%$). 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-six percent (56%) in the case of the Contributing Member (i.e., $\$2,800,000/\$5,000,000 = 56\%$) and forty-four percent (44%) in the case of the Non-Contributing Member (i.e., $\$2,300,000/\$5,000,000 = 44\%$), respectively (which will be 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 use its commercially reasonable efforts 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 use its commercially reasonable efforts to obtain a permanent loan (the "**Permanent Loan**") from one (1) or more Lenders to refinance the Construction 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). The Construction Loan and the 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 does not close the Construction Loan within ten (10) days following the approval of the annual business plan for the Company's first Business Plan Period pursuant to Section 2.07, 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 Company closes the Construction Loan.

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 claims, liabilities, losses, costs, expenses, damages and/or expenses including, without limitation, any attorneys' and expert witness fees and costs (collectively, "**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 the 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 Majestic 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)(1); (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) or its

direct or indirect owners at all times thereafter own fifty percent (50%) or more of the voting and beneficial interests in 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 Majestic. Subject to the last sentence of this Section 6.02(c), (i) any direct or indirect ownership interest in Majestic may be transferred to any Person provided following such transfer (A) Edward P. Roski, Jr. ("**Roski**") (individually and/or in his capacity as trustee of a trust) directly or indirectly controls Majestic, and (B) Majestic Realty Co., a California corporation ("**MRC**"), and/or Roski (individually and/or in his capacity as trustee of a trust) own(s), in the aggregate, directly or indirectly, at least thirty percent (30%) of Majestic, and (ii) any direct or indirect ownership interest in Majestic may be transferred to any member of the Roski Family provided that (A) prior to Roski's death or incapacity, Roski or any one (1) or more other members of the Roski Family remains (individually and/or in his capacity as trustee of a trust), directly or indirectly, in control of Majestic, and (B) following Roski's death or incapacity, one (1) or more members of the Roski Family control Majestic. The term "**Roski Family**" means Roski, his spouse, their lineal descendants and their spouses, any trust or estate for the benefit of any such party, and any entity owned or controlled (ownership and voting interests of 50% or more) by such parties. As used in this Section 6.02(c), 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, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, whether or not a transfer of any direct or indirect ownership interest in Majestic occurs, Majestic shall not be permitted to allow any Person other than Roski or one (1) or more other members of the Roski Family (individually and/or in such individual's capacity as trustee of a trust) to control, directly or indirectly, Majestic;

(d) Tejon Ranchcorp Multi-Asset Transfer. In the case of Tejon, a transfer of all, but not less than all, of its Interest in the Company as part of a transaction in which one (1) or more members of the Tejon Group (as defined below) in a single transaction or series of related transactions transfer five (5) or more of its Real Estate Assets (as defined below) with a gross asset value of at least Two Hundred Million Dollars (\$200,000,000). For this purpose, the term (i) "**Tejon Group**" means all corporations, partnerships and limited liability companies in which Tejon Ranchcorp and/or any Affiliate thereof owns, directly or indirectly, fifty percent (50%) or more of the ownership and voting interests; and (ii) "**Real Estate Assets**" means direct or indirect interests in any commercial or industrial real property of any type, wherever located;

(e) Majestic Multi-Asset Transfer. In the case of Majestic, a transfer of all, but not less than all, of its Interest in the Company as part of a transaction in which one (1) or more members of the Majestic Group (as defined below) in a single transaction or series of related transactions transfer five (5) or more of its Real Estate Assets with a gross asset value of at least Two Hundred Million Dollars (\$200,000,000). For this

purpose, the term "**Majestic Group**" means all corporations, partnerships and limited liability companies in which the Roski Family owns, directly or indirectly, fifty percent (50%) or more of the ownership and voting interests;

(f) 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

(g) 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 "H."

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 Interest in the Company pursuant to any security interest granted pursuant to Section 3.03(a), the holder of such Interest shall, upon the execution of a counterpart to Agreement (or an amendment thereto), automatically 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) 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;

(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 sixty (60) 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 sixty (60) 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

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 or an Impasse Event 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) six (6) months after the Project Stabilization Date, or (ii) three (3) years after 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. For purposes of this Article VIII, a Member shall not be deemed to be a Defaulting Member after the expiration of the sixty (60)-day or ninety (90)-day period, as the case may be, set forth in Section 7.02.

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 FIVE PERCENT (5%) 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).

AL JR
INITIALS OF TEJON

ER
INITIALS OF MAJESTIC

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 Defaulting 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 Majestic, each of which is material and is being relied upon by Majestic as of the Effective Date:

(a) Due Formation. Tejon 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;

(b) Required Actions. All corporate 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 Majestic 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) Financial Statements. The financial statements previously delivered by Tejon to Majestic fairly present the financial condition of Tejon as of the date of such financial statements, and no material adverse change has occurred in the financial condition of Tejon since such date;

(k) Most Knowledgeable Individuals. Lyda and Rentfro 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; and

(l) 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.

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

9.02 Majestic 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. Majestic 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. Majestic 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 corporate action required to be taken by Majestic 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 Majestic to execute and deliver this Agreement;

(c) Binding Obligation. This Agreement and all other documents to be executed and delivered by Majestic 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 Majestic, 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 Majestic 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 Majestic of the transactions contemplated hereby, nor compliance by Majestic 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 Majestic is a party as of the Effective Date or to which the Company and/or Majestic or any of the other properties or assets of the Company and/or Majestic 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 Majestic or any of the other properties or assets of the Company and/or Majestic as of the Effective Date;

(f) No Litigation. To the Actual Knowledge of Majestic, 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 Majestic;

(g) No Member Obligations. Majestic has not incurred any obligations or liabilities which could individually or in the aggregate adversely affect Majestic'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 Majestic, 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. Majestic 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) Financial Statements. The financial statements previously delivered by Tejon to Majestic fairly present the financial condition of Tejon as of the date of such financial statements, and no material adverse change has occurred in the financial condition of Tejon since such date;

(k) Most Knowledgeable Individuals. Brett Tremaine and Thomas Simmons are the individuals employed or affiliated with Majestic that have the most knowledge and information regarding the representations and warranties made in this Section 9.02;

(l) No Untrue Statements. To the Actual Knowledge of Majestic, no representation, warranty or covenant of Majestic 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 Majestic**" means the actual present knowledge of Brett Tremaine and Thomas Simmons without regard to any imputed or constructive knowledge and without any duty of inquiry or investigation. In no event shall Brett Tremaine or Thomas Simmons 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 represents that such Member has not retained any broker, finder, agent or the like in connection with this Agreement or the transactions contemplated herein. 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 insistence 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 that such 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.
- (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.

(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 extend to any Losses that may be incurred or that may arise under an Affiliate Agreement.

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 limitations 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 hereof, 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. 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.

10.05 Intentionally Omitted

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. The Administrative Member 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. The Administrative Member 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. The Administrative Member shall also provide to the other Member within fifteen (15) days after the end of each calendar quarter a detailed description of any material deviations from the Approved Business Plan during the preceding calendar quarter. Promptly after written request by the other Member, the Administrative Member shall deliver such other information as is reasonably requested by the other Member. The Administrative Member 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 the Administrative Member that includes (1) a representation by the Administrative Member that such annual statements fairly represent the financial condition of the Company, and (2) a representation by the Administrative Member 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, the Administrative Member 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 the Administrative Member 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 the Administrative Member's obligations under this Agreement (provided the foregoing shall not limit any cure rights the Administrative 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

The Administrative Member 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 the Administrative Member to deliver timely any tax return in accordance with the requirements of this Section 11.02 shall be considered a material breach of the Administrative Member'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 the Administrative Member, 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 the Administrative Member may have with respect to such breach under Section 2.17(c)(i) or 7.01(a) above).

The Administrative Member 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. Following any resignation or removal of Majestic as the Administrative Member of the Company, Tejon shall be the "partnership representative" of the Company. The Administrative Member (or Tejon if it has replaced Majestic as the "partnership representative" of the Company) 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, the Administrative Member 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 Majestic 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 one hundred eighty (180) 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 five (5) 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 does not close the Construction Loan within ten (10) days following the approval of the annual business plan for the first Business Plan Period by the Executive Committee pursuant to Section 2.07 (provided such election is made prior to the date (if any) that the Company closes the Construction Loan);

(d) 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);

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

(f) 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) or Section 12.01(c), (i) Tejon shall not have any duty or obligation to convey (or cause to be conveyed) the Property (or any portion thereof) or any rights related thereto to the Company, and (ii) neither the Company nor Majestic shall have any rights to participate in, or otherwise realize any economic benefit from, the Property (or any rights related thereto). Promptly following any dissolution pursuant to Section 12.01(a), Section 12.01(b) or Section 12.01(c), (A) the Company shall transfer, convey and assign (to the extent assignable) to Tejon 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 (B) subject to the following sentence, any such transfer, conveyance and assignment shall be made by the Company to Tejon for no consideration (and without reduction to Tejon's Capital Account or Unreturned Contribution Account) on an "AS-IS" basis without any representation or warranty whatsoever from the Company, Majestic and/or any Affiliate thereof. If Tejon's Representatives unreasonably withhold their approval of the Company's business plan for the first Business Plan Period pursuant to Section 2.07 and the Company is thereafter dissolved at the election of either Member pursuant to Section 12.01(b), then Tejon shall be required to reimburse the Company for all costs and expenses reimbursed or paid for by the Company to procure the Property Materials & Rights. Any amounts contributed by Tejon pursuant to this Section 12.03 shall be distributed to the Members in accordance with the terms of Section 5.01.

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 MAJESTIC, THE COMPANY OR ANY OTHER PARTY, AND (II) SNELL & WILMER LLP HAS ONLY REPRESENTED THE INTERESTS OF MAJESTIC 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 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.

AL JR
INITIALS OF
TEJON

ER
INITIALS OF
MAJESTIC

(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 and/or delays or nonperformance in connection with or caused by third party consultants, contractors or subcontractors, applicable utility companies, or any other governmental entity having jurisdiction over the Project; provided, however, that both Members acknowledge the Obligated Member claiming a Force Majeure Delay must be acting in good faith, and the Force Majeure Delay shall not prevent the Obligated Member from performing any other portion of its obligations under this Agreement which remain within the reasonable control of such Obligated Member. 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.

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 or such other accounting firm as selected by the Executive Committee.

14.03 Actual Knowledge of Majestic

The term "**Actual Knowledge of Majestic**" 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. 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 (ii) otherwise direct management policies of such Person by contract or otherwise.

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(b).

14.16 Agreement

The term "**Agreement**" means this Limited Liability Company Agreement of TRC-MRC 5, LLC.

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 Commerce

The term "**Commerce**" is defined in Section 2.04(g).

14.33 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.

14.34 Construction Contract

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

14.35 Construction Loan

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

14.36 Consultants

The term "**Consultants**" is defined in Section 2.11.

14.37 Contributing Member

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

14.38 Contributing Party

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

14.39 Contribution Agreement

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

14.40 Covered Persons

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

14.41 Default Events

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

14.42 Default Loan

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

14.43 Default Notice

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

14.44 Defaulting Member

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

14.45 Defaulting Member's Purchase Price

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

14.46 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.

14.47 Delinquent Contribution

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

14.48 Deposit

The term "**Deposit**" is defined in Section 8.04.

14.49 Design-Builder

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

14.50 Development Budget

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

14.51 Development Fee

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

14.52 Development Plan

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

14.53 Dilution Percentage

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

14.54 Effective Date

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

14.55 Electing Member

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

14.56 Election Notice

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

14.57 Enforceability Exceptions

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

14.58 Executive Committee

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

14.59 FAA

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

14.60 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, 2022, 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.

14.61 Force Majeure Delay

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

14.62 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.

14.63 Guarantor(s)

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

14.64 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.

14.65 Impasse Event

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

14.66 Improvements

The term "**Improvements**" is defined in Section 1.03.

14.67 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.

14.68 JAMS

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

14.69 Just Cause Event

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

14.70 Lender(s)

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

14.71 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).

14.72 Loans

The term "**Loans**" is defined in Section 3.04.

14.73 Lockout Date

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

14.74 Losses

The term "**Losses**" is defined in Section 3.05.

14.75 Lyda

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

14.76 Majestic

The term "**Majestic**" is defined in the Preamble.

14.77 Majestic Group

The term "**Majestic Group**" is defined in the Section 6.02(e).

14.78 Major Decisions

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

14.79 Marketing Plan

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

14.80 Master Developer Work

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

14.81 Member(s)

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

14.82 MRC

The term "**MRC**" is defined in Section 6.02(c).

14.83 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.

14.84 Non-Contributing Member

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

14.85 Non-Contributing Party

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

14.86 Non-Defaulting Member

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

14.87 Non-Electing Member

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

14.88 Nonrecourse Documents

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

14.89 Nonrecourse Parties

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

14.90 Obligated Member

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

14.91 OFAC

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

14.92 Officers

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

14.93 Operating Budget

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

14.94 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.

14.95 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).

14.96 Permanent Loan

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

14.97 Permitted Transferees

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

14.98 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.

14.99 Pre-Development Budget

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

14.100 Price Determination Notice

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

14.101 Pro Rata Share

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

14.102 Prohibited Transfer

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

14.103 Project

The term "**Project**" is defined in Section 1.03.

14.104 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-five percent (95%) of the space available for lease in the Project.

14.105 Property

The term "**Property**" is defined in Section 1.03.

14.106 Property Management Fee

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

14.107 Property Material & Rights

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

14.108 Purchase Notice

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

14.109 Purchase Price

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

14.110 Quorum

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

14.111 Real Estate Assets

The term "**Real Estate Assets**" is defined in the Section 6.02(d).

14.112 Recourse Documents

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

14.113 Regulatory Allocations

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

14.114 Removal Notice

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

14.115 Rentfro

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

14.116 Representative(s)

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

14.117 Response Period

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

14.118 Roski

The term "**Roski**" is defined in Section 6.02(c).

14.119 Roski Family

The term "**Roski Family**" is defined in Section 6.02(c).

14.120 Rules

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

14.121 Securities Acts

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

14.122 Shortfall

The term "**Shortfall**" is defined in Section 3.02.

14.123 Stated Value

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

14.124 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.

14.125 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."

14.126 Tejon

The term "**Tejon**" is defined in the Preamble.

14.127 Tejon Group

The term "**Tejon Group**" is defined in the Section 6.02(d).

14.128 Transfer

The term "**Transfer**" is defined in Section 6.01.

14.129 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).

14.130 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(b), 3.01(c), 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(c), 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"

TEJON INDUSTRIAL CORP.,
a California corporation

By: /s/ Allen Lyda
Name: Allen Lyda
Its: Executive Vice President/COO/CFO

By: /s/ Joe Rentfro
Name: Joe Rentfro
Its: Executive Vice President

"Majestic"

MAJESTIC TEJON V, LLC,
a Delaware limited liability company

By: Majestic Realty Co.,
a California corporation
Its: Manager

By: /s/ Edward P. Rosky, Jr.
Name: Edward P. Roski, Jr.
Its: President and Chairman of the Board

EXHIBIT "A"

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

<u>Member</u>	<u>Percentage Interest</u>	<u>Initial Cash Contribution</u>
Tejon Industrial Corp. P.O. Box 1000 Lebec, CA 93243 Attn.: Allen Lyda and Joe Rentfro	50.0%	\$50,000 ¹
Majestic Tejon V, LLC 13191 Crossroads Parkway North, 6th Floor City of Industry, CA 91746-3497 Attn.: Edward P. Roski, Jr. and Brett A. Tremaine	50.0%	\$50,000
Totals	<u>100.0%</u>	<u>\$100,000</u>

¹ Tejon is also required to contribute the Property to the Company in accordance with Section 3.01(b).

EXHIBIT "B"

LEGAL DESCRIPTION OF THE PROPERTY

[To Be Provided]

EXHIBIT "C"

PRE-DEVELOPMENT BUDGET

[To Be Provided]

EXHIBIT "D"

CONTRIBUTION AGREEMENT

[To Be Provided]

EXHIBIT "E"

CONSTRUCTION CONTRACT

[To Be Provided]

EXHIBIT "F"

[Intentionally Deleted]

EXHIBIT "G"

MASTER DEVELOPER WORK

As of the Effective Date, Tejon currently does not believe that any additional Master Developer Work will be required. This shall be further evaluated by the Executive Committee prior to completion of the initial business plan for the Company's first Business Plan Period noted in Section 2.07. If Kern County requires any Master Developer Work, then such Master Developer Work will be performed by Tejon at Tejon's sole cost and expense in accordance with Section 2.12.

EXHIBIT "H"

RIGHT OF FIRST REFUSAL

Except for transfers permitted by Sections 6.02(a), (b), (c), (d), (e) and (f) 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 "H."

(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 "H," 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 "H" 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), (d), (e) and (f) 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 "H," 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.

**LIMITED LIABILITY COMPANY AGREEMENT
OF
TRC-MRC 5, 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.

ARTICLE I	FORMATION.....	1
1.01	Formation.....	1
1.02	Names and Addresses	1
1.03	Nature of Business	1
1.04	Term of Company	2
ARTICLE II	MANAGEMENT OF THE COMPANY.....	2
2.01	Formation of Executive Committee.....	2
2.02	Committee Procedures	3
2.03	Administrative Member	5
2.04	Approval of Major Decisions.....	6
2.05	Consents and Approvals	9
2.06	Pre-Development Budget.....	10
2.07	Approved Business Plan	10
2.08	Development and Construction of Improvements	11
2.09	Operating Budget	12
2.10	Construction Contract	13
2.11	Development and Construction Management Services	13
2.12	Master Developer Work.....	14
2.13	Marketing and Leasing Management.....	15
2.14	Property Management	15
2.15	Intentionally Deleted.....	16
2.16	Authority with Respect to the Affiliate Agreements	16
2.17	Election, Resignation, Removal of the Administrative Member	16
2.18	Officers	18
2.19	Treatment of Payments	18
2.20	Reimbursement and Fees	19
2.21	Insurance	19
ARTICLE III	MEMBERS' CONTRIBUTIONS TO COMPANY.....	19
3.01	Initial Contributions of the Members.....	19
3.02	Additional Capital Contributions.....	20
3.03	Remedy for Failure to Contribute Capital	21
3.04	Financing.....	25
3.05	Agreement to Provide Guarantees and Indemnification.....	26
3.06	Capital Contributions in General	27
ARTICLE IV	ALLOCATION OF PROFITS AND LOSSES.....	28
4.01	Net Losses	28
4.02	Net Profits	28
4.03	Special Allocations	28
4.04	Curative Allocations	29
4.05	Differing Tax Basis; Tax Allocation.....	29
ARTICLE V	DISTRIBUTION OF CASH FLOW	29

	<u>Page</u>
5.01 Cash Flow	29
5.02 Limitations on Distributions	30
5.03 Withholding	30
5.04 In-Kind Distribution.....	30
ARTICLE VI RESTRICTIONS ON TRANSFERS OF COMPANY INTERESTS.....	30
6.01 Limitations on Transfer.....	30
6.02 Permitted Transfers	30
6.03 Admission of Substituted Members.....	32
6.04 Election; Allocations between Transferor and Transferee.....	33
6.05 Partition.....	33
6.06 Waiver of Withdrawal and Purchase Rights.....	33
6.07 No Appraisal Rights.....	33
6.08 Foreclosure of Interest	33
ARTICLE VII MEMBER DEFAULT	34
7.01 Default Events.....	34
7.02 Rights Arising From a Default Event	35
7.03 Determination of Defaulting Member's Purchase Price	36
7.04 Non-Defaulting Members' Option	37
7.05 Closing Adjustments	37
7.06 Closing of Purchase and Sale.....	38
7.07 Representations and Warranties.....	38
7.08 Payment of Defaulting Member's Purchase Price.....	38
7.09 Repayment of Default Loans	39
7.10 Release and Indemnity	39
7.11 Withdrawal of the Defaulting Member.....	39
7.12 Distribution of Reserves	40
ARTICLE VIII ELECTIVE BUY/SELL AGREEMENT.....	40
8.01 Buy/Sell Election	40
8.02 Determination of the Purchase Price.....	40
8.03 Non-Electing Member's Option	41
8.04 Deposit.....	41
8.05 Closing Adjustments.....	42
8.06 Closing of Purchase and Sale.....	42
8.07 Representations and Warranties.....	43
8.08 Repayment of Default Loans	43
8.09 Release and Indemnity	43
8.10 Interim Event of Default	44
8.11 Application of Provisions	44
ARTICLE IX REPRESENTATIONS, WARRANTIES, COVENANTS AND OTHER MATTERS.....	44

	<u>Page</u>
9.01 Tejon Representations.....	44
9.02 Majestic Representations	46
9.03 Brokerage Fee Representation and Indemnity	48
9.04 Investment Representations	48
9.05 Indemnification Obligations	50
9.06 Survival of Representations, Warranties and Covenants.....	50
ARTICLE X LIABILITY, EXCULPATION, RESTRICTIONS ON COMPETITION, FIDUCIARY DUTIES AND INDEMNIFICATION.....	50
10.01 Liability for Company Claims	50
10.02 Exculpation, Indemnity and Reliance on Information.....	50
10.03 Limitation on Liability.....	52
10.04 Activities of the Members and Their Affiliates	52
10.05 Intentionally Omitted.....	53
10.06 Fiduciary Duties.....	53
10.07 Non-Exclusivity of Rights	53
10.08 Amendment or Repeal	54
10.09 Insurance	54
ARTICLE XI BOOKS AND RECORDS.....	54
11.01 Books of Account and Bank Accounts	54
11.02 Tax Returns.....	55
ARTICLE XII DISSOLUTION AND WINDING UP OF THE COMPANY	56
12.01 Events Causing Dissolution of the Company	56
12.02 Winding Up of the Company	57
12.03 Distribution of Assets Upon Early Dissolution Event.....	58
12.04 Negative Capital Account Restoration.....	58
ARTICLE XIII MISCELLANEOUS	58
13.01 Amendments	58
13.02 Waiver of Conflict Interest	58
13.03 Partnership Intended Solely for Tax Purposes.....	59
13.04 Notices	59
13.05 Construction of Agreement.....	60
13.06 Counterparts.....	60
13.07 Attorneys' Fees.....	60
13.08 Approval Standard	60
13.09 Further Acts	61
13.10 Preservation of Intent.....	61
13.11 Waiver.....	61
13.12 Entire Agreement.....	61
13.13 Choice of Law.....	61
13.14 No Third-Party Beneficiaries.....	62

	<u>Page</u>
13.15 Successors and Assigns.....	62
13.16 No Usury.....	62
13.17 Venue.....	62
13.18 Dispute Resolution.....	62
13.19 Timing.....	65
13.20 Remedies for Breach of this Agreement.....	65
13.21 Survivability of Representations and Warranties	65
13.22 Reasonableness of Rights and Remedies.....	66
13.23 Force Majeure	66
ARTICLE XIV DEFINITIONS.....	67
14.01 Accountant's Notice	67
14.02 Accounting Firm	67
14.03 Actual Knowledge of Majestic	67
14.04 Actual Knowledge of Tejon.....	67
14.05 Additional Contribution Date	67
14.06 Adjusted Accountant's Notice.....	67
14.07 Adjusted Capital Account.....	67
14.08 Adjusted Price Determination Notice	68
14.09 Adjustment Amount.....	68
14.10 Administrative Member	68
14.11 Affiliate.....	68
14.12 Affiliate Agreements.....	68
14.13 Affiliated Member	68
14.14 Affiliated Parties	68
14.15 Agreed Value	68
14.16 Agreement.....	68
14.17 Applicable ABP Date.....	68
14.18 Applicable Construction Costs	69
14.19 Appraised Value.....	69
14.20 Approved Business Plan	69
14.21 Arbitration Notice	69
14.22 Bad Acts.....	69
14.23 Book Basis	69
14.24 Business Day.....	69
14.25 Business Plan Period.....	69
14.26 California Act.....	69
14.27 Capital Account	70
14.28 Capital Call Notice.....	70
14.29 Cash Flow	70
14.30 Certificates	70

	<u>Page</u>
14.31 Code	70
14.32 Commerce	71
14.33 Company	71
14.34 Construction Contract	71
14.35 Construction Loan.....	71
14.36 Consultants.....	71
14.37 Contributing Member.....	71
14.38 Contributing Party.....	71
14.39 Contribution Agreement	71
14.40 Covered Persons.....	71
14.41 Default Events.....	71
14.42 Default Loan	71
14.43 Default Notice	71
14.44 Defaulting Member	72
14.45 Defaulting Member's Purchase Price	72
14.46 Delaware Act	72
14.47 Delinquent Contribution	72
14.48 Deposit	72
14.49 Design-Builder.....	72
14.50 Development Budget	72
14.51 Development Fee	72
14.52 Development Plan.....	72
14.53 Dilution Percentage.....	72
14.54 Effective Date	72
14.55 Electing Member.....	72
14.56 Election Notice.....	73
14.57 Enforceability Exceptions.....	73
14.58 Executive Committee.....	73
14.59 FAA.....	73
14.60 Fiscal Year	73
14.61 Force Majeure Delay.....	73
14.62 Gross Asset Value.....	73
14.63 Guarantor(s)	74
14.64 Hypothetical Distribution.....	74
14.65 Impasse Event	74
14.66 Improvements	74
14.67 Interest.....	74
14.68 JAMS	74
14.69 Just Cause Event	74
14.70 Lender(s).....	74

	<u>Page</u>
14.71 Liquidation.....	74
14.72 Loans.....	75
14.73 Lockout Date.....	75
14.74 Losses.....	75
14.75 Lyda.....	75
14.76 Majestic.....	75
14.77 Majestic Group.....	75
14.78 Major Decisions.....	75
14.79 Marketing Plan.....	75
14.80 Master Developer Work.....	75
14.81 Member(s).....	75
14.82 MRC.....	75
14.83 Net Profits and Net Losses.....	76
14.84 Non-Contributing Member.....	76
14.85 Non-Contributing Party.....	76
14.86 Non-Defaulting Member.....	76
14.87 Non-Electing Member.....	76
14.88 Nonrecourse Documents.....	76
14.89 Nonrecourse Parties.....	76
14.90 Obligated Member.....	76
14.91 OFAC.....	76
14.92 Officers.....	76
14.93 Operating Budget.....	77
14.94 Partially Adjusted Capital Account.....	77
14.95 Percentage Interest.....	77
14.96 Permanent Loan.....	77
14.97 Permitted Transferees.....	77
14.98 Person.....	77
14.99 Pre-Development Budget.....	77
14.100 Price Determination Notice.....	77
14.101 Pro Rata Share.....	77
14.102 Prohibited Transfer.....	77
14.103 Project.....	78
14.104 Project Stabilization Date.....	78
14.105 Property.....	78
14.106 Property Management Fee.....	78
14.107 Property Material & Rights.....	78
14.108 Purchase Notice.....	78
14.109 Purchase Price.....	78
14.110 Quorum.....	78

	<u>Page</u>
14.111 Real Estate Assets	78
14.112 Recourse Documents	78
14.113 Regulatory Allocations	78
14.114 Removal Notice	78
14.115 Rentfro	79
14.116 Representative(s).....	79
14.117 Response Period.....	79
14.118 Roski	79
14.119 Roski Family	79
14.120 Rules	79
14.121 Securities Acts	79
14.122 Shortfall.....	79
14.123 Stated Value	79
14.124 Substantial Completion Date	79
14.125 Target Capital Account.....	79
14.126 Tejon	80
14.127 Tejon Group.....	80
14.128 Transfer.....	80
14.129 Treasury Regulation.....	80
14.130 Unreturned Contribution Account	80

EXHIBITS

<u>Exhibit "A"</u>	Names, Addresses, Percentage Interests and Initial Cash Contributions of the Members
<u>Exhibit "B"</u>	Legal Description of the Property
<u>Exhibit "C"</u>	Pre-Development Budget
<u>Exhibit "D"</u>	Contribution Agreement
<u>Exhibit "E"</u>	Construction Contract
<u>Exhibit "F"</u>	Intentionally Deleted
<u>Exhibit "G"</u>	Master Developer Work
<u>Exhibit "H"</u>	Right of First Refusal

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: May 9, 2022

/s/ Gregory S. Bielli

Gregory S. Bielli
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Allen E. Lyda, certify that:

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

Dated: May 9, 2022

/s/ Allen E. Lyda

Allen E. Lyda
Chief Operating Officer/Chief Financial Officer

EXHIBIT 32

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

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

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

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

Dated: May 9, 2022

/s/ Gregory S. Bielli

Gregory S. Bielli
President and Chief Executive Officer

/s/ Allen E. Lyda

Allen E. Lyda
Chief Operating Officer/Chief Financial Officer