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

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023

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 October 31, 2023 was 26,734,193.

TEJON RANCH CO. AND SUBSIDIARIES
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Glossary

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

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Real estate - commercial/industrial	$ 3,397	$ 22,352	$ 8,706	$ 32,163
Mineral resources	3,118	3,139	11,630	19,238
Farming	2,642	4,776	4,852	7,352
Ranch operations	1,052	1,208	3,384	3,011
Total revenues	10,209	31,475	28,572	61,764
Costs and Expenses:				
Real estate - commercial/industrial	2,137	6,845	5,517	11,403
Real estate - resort/residential	367	372	1,079	1,218
Mineral resources	2,000	1,745	6,991	11,347
Farming	2,157	8,752	5,644	13,976
Ranch operations	1,196	1,143	3,864	3,708
Corporate expenses	2,315	1,630	6,824	6,230
Total expenses	10,172	20,487	29,919	47,882
Operating income (loss)	37	10,988	(1,347)	13,882
Other Income:				
Investment income	700	204	1,775	300
Other (loss) income, net	(30)	211	272	1,038
Total other income	670	415	2,047	1,338
Income from operations before equity in earnings of unconsolidated joint ventures	707	11,403	700	15,220
Equity in earnings of unconsolidated joint ventures, net	1,161	1,991	4,616	4,867
Income before income tax expense	1,868	13,394	5,316	20,087
Income tax expense	2,215	3,221	3,619	6,262
Net (loss) income	(347)	10,173	1,697	13,825
Net (loss) income attributable to non-controlling interest	(6)	(11)	(3)	1
Net (loss) income attributable to common stockholders	$ (341)	$ 10,184	$ 1,700	$ 13,824
Net (loss) income per share attributable to common stockholders, basic	$ (0.01)	$ 0.38	$ 0.06	$ 0.52
Net (loss) income per share attributable to common stockholders, diluted	$ (0.01)	$ 0.38	$ 0.06	$ 0.52

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	$ (347)	$ 10,173	$ 1,697	$ 13,825
Other comprehensive income:				
Unrealized gain (loss) on available-for-sale securities	52	(101)	129	(278)
Unrealized gain on interest rate swap	1,734	1,608	2,019	5,819
Other comprehensive income before taxes	1,786	1,507	2,148	5,541
Provision for income taxes related to other comprehensive income items	(500)	(422)	(601)	(1,553)
Other comprehensive income	1,286	1,085	1,547	3,988
Comprehensive income	939	11,258	3,244	17,813
Comprehensive (loss) income attributable to non-controlling interests	(6)	(11)	(3)	1
Comprehensive income attributable to common stockholders	$ 945	$ 11,269	$ 3,247	$ 17,812

See accompanying notes.

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

	September 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 43,149	$ 39,119
Marketable securities - available-for-sale	29,456	33,444
Accounts receivable	3,980	4,453
Inventories	8,925	3,369
Prepaid expenses and other current assets	3,520	2,660
Total current assets	89,030	83,045
Real estate and improvements - held for lease, net	16,780	16,940
Real estate development (includes $117,518 at September 30, 2023 and $115,221 at December 31, 2022, attributable to CFL, Note 15)	330,566	321,293
Property and equipment, net	54,941	52,980
Investments in unconsolidated joint ventures	31,345	41,891
Net investment in water assets	52,507	47,045
Other assets	5,104	3,597
TOTAL ASSETS	$ 580,273	$ 566,791
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 6,393	$ 5,117
Accrued liabilities and other	4,504	3,602
Deferred income	2,326	1,531
Income taxes payable	3,088	—
Current maturities of long-term debt	1,844	1,779
Total current liabilities	18,155	12,029
Long-term debt, less current portion	46,793	48,161
Long-term deferred gains	11,447	11,447
Deferred tax liability	7,676	7,180
Other liabilities	15,212	10,380
Total liabilities	99,283	89,197
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders’ Equity		
Common stock, $0.50 par value per share:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 26,726,464 at September 30, 2023 and 26,541,553 at December 31, 2022	13,363	13,271
Additional paid-in capital	345,404	345,344
Accumulated other comprehensive loss	(481)	(2,028)
Retained earnings	107,343	105,643
Total Tejon Ranch Co. Stockholders’ Equity	465,629	462,230
Non-controlling interest	15,361	15,364
Total equity	480,990	477,594
TOTAL LIABILITIES AND EQUITY	$ 580,273	$ 566,791

See accompanying notes.

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

	Nine Months Ended September 30,	
	2023	2022
Operating Activities		
Net income	$ 1,697	$ 13,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,003	3,342
Amortization of (discount) premium of marketable securities	(442)	116
Equity in earnings of unconsolidated joint ventures, net	(4,616)	(4,867)
Non-cash retirement plan expense	200	81
Profit from water sales[1]	(490)	(1,889)
Profit from land sales[2]	—	(18,372)
Loss (gain) on sale of property plant and equipment	59	(1,140)
Deferred income taxes	—	(315)
Stock compensation expense	2,369	2,088
Excess tax (benefit) loss from stock-based compensation	(105)	3
Loan fee write-off	—	85
Distribution of earnings from unconsolidated joint ventures	13,176	7,336
Changes in operating assets and liabilities:		
Receivables, inventories, prepaids and other assets, net	(5,231)	851
Current liabilities	5,130	724
Net cash provided by operating activities	14,750	1,868
Investing Activities		
Maturities and sales of marketable securities	91,831	27,961
Funds invested in marketable securities	(87,272)	(48,614)
Real estate and equipment expenditures	(13,513)	(17,687)
Investment in unconsolidated joint ventures	(3,750)	(175)
Distribution of equity from unconsolidated joint ventures	10,645	3,968
Proceeds from water sales[1]	1,324	5,202
Investments in water assets	(6,070)	(988)
Net proceeds from land sales[2]	—	24,950
Net cash used in investing activities	(6,805)	(5,383)
Financing Activities		
Borrowings of long-term debt	—	49,080
Repayments of long-term debt	(1,321)	(51,272)
Deferred financing costs	—	(181)
Interest rate swap settlement[3]	—	1,123
Taxes on vested stock grants	(2,594)	(1,122)
Net cash used in financing activities	(3,915)	(2,372)
Increase (decrease) in cash and cash equivalents	4,030	(5,887)
Cash, cash equivalents, and restricted cash at beginning of period	39,619	37,398
Cash, cash equivalents, and restricted cash at end of period	$ 43,649	$ 31,511

Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	$ 43,149	$ 30,308
Restricted cash (Shown in Other Assets)	500	1,203
Total cash, cash equivalents, and restricted cash	$ 43,649	$ 31,511
Supplemental cash flow information		
Non-cash investing activities		
Accrued capital expenditures included in current liabilities	$ 742	$ 841
Accrued long-term water assets included in current liabilities	$ 1,248	$ 374

[1]In determining the classification of cash inflows and outflows related to water asset activity, the Company's practices are supported by 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 Institute of Certified Public Accountants Conference on Current SEC and PCAOB Developments, the SEC staff discussed that an entity should be consistent in how it classifies cash outflows and inflows related to an asset's purchase and sale and noted that when cash flow classification is unclear, registrants must use judgment and analysis that considers the nature of the activity and the predominant source of cash flow for these items.

Given the nature of our water assets and the aforementioned authoritative guidance, the Company estimates the appropriate classification of water assets purchased based on the timing of the sale of the water. Water purchased in prior periods that was classified as investing was sold for $1.3 million in 2023, this cash inflow is appropriately classified in the Company's investing activities. The profit of $0.5 million related to the water purchased in prior periods is appropriately being deducted from operating activities for the current period. The Company has and will continue to apply this methodology to water asset transactions that meet this fact pattern.

[2]In determining the classification of cash inflows and outflows related to land development costs, the Company's practices are supported by 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 Institute of Certified Public Accountants Conference on Current SEC and PCAOB Developments, the SEC staff discussed that an entity should be consistent in how it classifies cash outflows and inflows related to an asset's purchase and sale and noted that when cash flow classification is unclear, registrants must use judgment and analysis that considers the nature of the activity and the predominant source of cash flow for these items.

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

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

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NON-CONTROLLING 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	Non-controlling Interest	Total Equity
Balance, June 30, 2023	26,718,773	$ 13,359	$ 344,434	$ (1,767)	$ 107,684	$ 463,710	$ 15,367	$ 479,077
Net loss	—	—	—	—	(341)	(341)	(6)	(347)
Other comprehensive income	—	—	—	1,286		1,286	—	1,286
Restricted stock issuance	7,691	4	(4)	—	—	—	—	—
Stock compensation	—	—	974	—	—	974	—	974
Shares withheld for taxes and tax benefit of vested shares	—	—	—	—	—	—	—	—
Balance, September 30, 2023	26,726,464	$ 13,363	$ 345,404	$ (481)	$ 107,343	$ 465,629	$ 15,361	$ 480,990
Balance, June 30, 2022	26,484,947	$ 13,242	$ 346,137	$ (3,919)	$ 93,475	$ 448,935	$ 15,374	$ 464,309
Net income (loss)	—	—	—	—	10,184	10,184	(11)	10,173
Other comprehensive income	—	—	—	1,085		1,085	—	1,085
Restricted stock issuance	6,823	4	(3)	—	—	1	—	1
Stock compensation	—	—	(39)	—	—	(39)	—	(39)
Shares withheld for taxes and tax benefit of vested shares	—	—	—	—	—	—	—	—
Balance, September 30, 2022	26,491,770	$ 13,246	$ 346,095	$ (2,834)	$ 103,659	$ 460,166	$ 15,363	$ 475,529

See accompanying notes.

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance, December 31, 2022	26,541,553	$ 13,271	$ 345,344	$ (2,028)	$ 105,643	$ 462,230	$ 15,364	$ 477,594
Net income	—	—	—	—	1,700	1,700	(3)	1,697
Other comprehensive income	—	—	—	1,547	—	1,547	—	1,547
Restricted stock issuance	363,756	181	(183)	—	—	(2)	—	(2)
Stock compensation	—	—	2,748	—	—	2,748	—	2,748
Shares withheld for taxes and tax benefit of vested shares	(178,845)	(89)	(2,505)	—	—	(2,594)	—	(2,594)
Balance, September 30, 2023	26,726,464	$ 13,363	$ 345,404	$ (481)	$ 107,343	$ 465,629	$ 15,361	$ 480,990
Balance, December 31, 2021	26,400,921	$ 13,200	$ 344,936	$ (6,822)	$ 89,835	$ 441,149	$ 15,362	$ 456,511
Net income	—	—	—	—	13,824	13,824	1	13,825
Other comprehensive income	—	—	—	3,988	—	3,988	—	3,988
Restricted stock issuance	154,709	77	(77)	—	—	—	—	—
Stock compensation	—	—	2,327	—	—	2,327	—	2,327
Shares withheld for taxes and tax benefit of vested shares	(63,860)	(31)	(1,091)	—	—	(1,122)	—	(1,122)
Balance, September 30, 2022	26,491,770	$ 13,246	$ 346,095	$ (2,834)	$ 103,659	$ 460,166	$ 15,363	$ 475,529

See accompanying notes.

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 September 30, 2023 and 2022 include the consolidation of CFL's statement of operations within the resort/residential real estate development segment, statements of changes in equity and non-controlling interests, and statements of cash flows. The Company's September 30, 2023 and December 31, 2022 balance sheets are presented on a consolidated basis, including the consolidation of CFL.

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

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of the Company's agricultural activities, water activities, timing of real estate sales and leasing activities. Historically, the Company's largest percentages of farming revenues are recognized during the third and fourth quarters of the fiscal year.

For further information and a summary of significant accounting policies, refer to the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Financial Instruments

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

Restricted Cash

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

Recent Accounting Pronouncements

Business Combinations - Joint Venture Formations

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

2. EQUITY

Earnings Per Share (EPS)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted-average number of shares outstanding:				
Common stock	26,725,628	26,491,251	26,695,714	26,468,099
Common stock equivalents	72,435	47,507	76,668	164,364
Diluted shares outstanding	26,798,063	26,538,758	26,772,382	26,632,463

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)		September 30, 2023		December 31, 2022	
Marketable Securities:	Fair Value Hierarchy	Cost	Fair Value	Cost	Fair Value
U.S. Treasury and agency notes					
with unrealized losses for less than 12 months		$ 16,873	$ 16,827	$ 13,916	$ 13,832
with unrealized losses for more than 12 months		999	994	500	499
with unrealized gains		—	—	1,250	1,251
Total U.S. Treasury and agency notes	Level 2	17,872	17,821	15,666	15,582
Corporate notes					
with unrealized losses for less than 12 months		11,262	11,235	17,236	17,112
with unrealized losses for more than 12 months		401	400	251	250
with unrealized gains		—	—	499	500
Total Corporate notes	Level 2	11,663	11,635	17,986	17,862
		$ 29,535	$ 29,456	$ 33,652	$ 33,444

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 September 30, 2023, the Company has not recorded any credit losses.

As of September 30, 2023, the fair market value of marketable securities was $79,000 below their cost basis. The Company's gross unrealized holding gains equaled $0 and gross unrealized holding losses equaled $79,000. For the nine-months ended September 30, 2023, the adjustment to accumulated other comprehensive loss reflected an improvement in market value of $129,000, including estimated taxes of $36,000.

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 $213,000 as of September 30, 2023 and was included within the Prepaid expenses and other current assets line item of the Consolidated Balance Sheets. The Company elected not to measure an allowance for credit losses on accrued interest receivable, as an allowance on possible uncollectible accrued interest is not warranted.

U.S. Treasury and agency notes

The unrealized losses on the Company's investments in U.S. Treasury and agency notes at September 30, 2023 and December 31, 2022 were caused by relative changes in interest rates since the time of purchase. The contractual cash flows for these securities are guaranteed by U.S. government agencies. The unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality. As of September 30, 2023 and December 31, 2022, the Company did not intend to sell these securities and it is not more-likely-than-not the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of September 30, 2023 and December 31, 2022.

Corporate notes

The contractual terms of those investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investments. The unrealized losses on corporate notes are a function of changes in investment spreads and interest rate movements and not changes in credit quality. The Company expects to recover the entire amortized cost basis of these securities. As of September 30, 2023 and December 31, 2022, the Company did not intend to sell these securities and it is not more-likely-than-not the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of September 30, 2023 and December 31, 2022.

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

	September 30, 2023		
($ in thousands)	2023	2024	Total
U.S. Treasury and agency notes	$ 7,070	$ 10,866	$ 17,936
Corporate notes	8,900	2,780	11,680
	$ 15,970	$ 13,646	$ 29,616

	December 31, 2022		
($ in thousands)	2023	2024	Total
U.S. Treasury and agency notes	$ 15,225	$ 500	$ 15,725
Corporate notes	17,470	500	17,970
	$ 32,695	$ 1,000	$ 33,695

The Company’s investments in corporate notes are with companies that have an investment grade rating from Standard & Poor’s as of September 30, 2023.

4. REAL ESTATE

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

($ in thousands)	September 30, 2023	December 31, 2022
Real estate development		
Mountain Village	$ 154,539	$ 153,156
Centennial	117,518	115,221
Grapevine	40,302	39,273
Tejon Ranch Commerce Center	18,207	13,643
Real estate development	$ 330,566	$ 321,293
Real estate and improvements - held for lease		
Tejon Ranch Commerce Center	$ 20,690	$ 20,590
Less accumulated depreciation	(3,910)	(3,650)
Real estate and improvements - held for lease, net	$ 16,780	$ 16,940

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 TCWD in the Kern Water Banks.

The Company has secured 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 AVEK for the Company's use in the Antelope Valley. In 2013, the Company acquired a contract to purchase water that obligates the Company to purchase 6,693 acre-feet of water each year from the Nickel Family, LLC, or Nickel, a California limited liability company that is located in Kern County.

The initial term of the water purchase agreement with Nickel runs to 2044 and includes a Company option to extend the contract for an additional 35 years. The purchase cost of water in 2023 is $928 per acre-foot. The purchase cost is subject to annual cost increases based on the greater of the Consumer Price Index or 3%.

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

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

	September 30, 2023		September 30, 2022	
Acre-Feet Sold		4,020		9,600
Revenues	$	6,615	$	13,635
Cost of sales		4,015		8,944
Profit	$	2,600	$	4,691

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

	September 30, 2023		December 31, 2022	
Banked water and water for future delivery	$	31,469	$	23,855
Transferable water		326		1,455
Total water held for future use at cost	$	31,795	$	25,310

Intangible Water Assets

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

	September 30, 2023				December 31, 2022			
	Costs		Accumulated Depreciation		Costs		Accumulated Depreciation	
Dudley-Ridge water rights	$	11,581	$	(6,152)	$	11,581	$	(5,790)
Nickel water rights		18,740		(6,372)		18,740		(5,890)
Tulare Lake Basin water rights		6,479		(3,564)		6,479		(3,385)
	$	36,800	$	(16,088)	$	36,800	$	(15,065)
Net cost of purchased water contracts		20,712				21,735		
Total cost of water held for future use		31,795				25,310		
Net investments in water assets	$	52,507			$	47,045		

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

(in acre-feet, unaudited)	September 30, 2023	December 31, 2022
Water held for future use		
TCWD - Banked water owned by the Company	62,379	52,554
Company water bank	52,631	50,349
Transferable water	3,097	2,548
Recharged project water	6,590	—
Total water held for future use	124,697	105,451
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWSD - Contracts with the Company	15,547	15,547
TCWD - Contracts with the Company	5,749	5,749
Total purchased water contracts	31,433	31,433
Total water held for future use and purchased water contracts	156,130	136,884

Tejon Ranchcorp, or Ranchcorp, a wholly-owned subsidiary of Tejon Ranch Co., entered into a Water Supply Agreement with PEF in 2015. PEF is the current lessee 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 from January 1, 2017 through July 31, 2030, with an option to extend the term by three additional five-year periods. 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 2023 is $1,261 per acre-foot of annual water, subject to 3% annual increases over the life of the contract. The Water Supply Agreement contains other customary terms and conditions, including representations and warranties which are typical for agreements of this type. The Company's commitments to sell water can be met through current water assets.

6. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following:

($ in thousands)	September 30, 2023	December 31, 2022
Accrued vacation	$ 676	$ 735
Accrued paid personal leave	309	348
Accrued bonus	1,896	2,280
Property tax payable	1,344	—
Other	279	239
	$ 4,504	$ 3,602

7. LINE OF CREDIT AND LONG-TERM DEBT

Debt consisted of the following:

($ in thousands)	September 30, 2023	December 31, 2022
Notes payable	$ 48,832	$ 50,154
Less: line-of-credit and current maturities of long-term debt	(1,844)	(1,779)
Less: deferred loan costs	(195)	(214)
Long-term debt, less current portion	$ 46,793	$ 48,161

On June 30, 2022, the Company entered into a variable rate term note, or New Term Note, and a new Revolving Line of Credit Note, or New RLC, with Bank of America, N.A, or collectively the New Credit Facility. The New Term Note provided a principal amount of $49,080,000 and a maturity date of June 30, 2032, which was used to pay off the existing Wells Fargo

Amended Term Note. The Company evaluated the debt exchange under ASC 470 and determined that the exchange should be treated as a debt extinguishment. The amount available from the New RLC under the New Credit Facility is $40,607,000.

The New Term Note had a $47,338,000 balance as of September 30, 2023. The interest rate per annum applicable to the New Term Loan is the daily SOFR plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The New Term Note requires monthly amortization payments pursuant to a schedule set forth in the New Term Note, with the final outstanding principal amount due June 30, 2032. The New Credit Facility is secured by the Company's farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The New RLC had no outstanding balance as of September 30, 2023. At the Company's option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% above Term SOFR for interest periods elected by the Company. During the term of this RLC (which expires on June 30, 2027), the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary.

The Company also has a $4,750,000 promissory note agreement whose principal and interest due monthly began October 1, 2013. The promissory note is secured by four commercial properties at TRCC-West that are leased by fast casual restaurant operators. 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 September 30, 2023 was $1,494,000.

8. OTHER LIABILITIES

Other liabilities consisted of the following:

($ in thousands)	September 30, 2023	December 31, 2022
Pension liability (See Note 13)[1]	$ —	$ 38
Supplemental executive retirement plan liability (See Note 13)	6,040	6,186
Excess joint venture distributions and other	9,172	4,156
Total	$ 15,212	$ 10,380

[1]The Company's pension account had an asset balance of $175,000 as of September 30, 2023 and is recorded under the caption Other Assets on the Consolidated Balance Sheets.

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 fair value for market-based awards is determined using a *Monte Carlo* simulation. Failure to achieve the target share price will result in the forfeiture of shares. Forfeiture of share awards with service conditions or performance-based restrictions will result in a reversal of previously recognized share-based compensation expense. Forfeiture of share awards with market-based restrictions does not result in a reversal of previously recognized share-based compensation expense.

The following is a summary of the Company's Performance Condition Grants outstanding as of September 30, 2023:

	Performance Condition Grants
Target performance	221,245
Maximum performance	319,559

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 nine months ended September 30, 2023:

	September 30, 2023
Stock Grants Outstanding Beginning of Period at Target Achievement	234,899
New Stock Grants/Additional Shares due to Achievement in Excess of Target	321,026
Vested Grants	(169,621)
Expired/Forfeited Grants	(16,610)
Stock Grants Outstanding End of Period at Target Achievement	369,694

The following is a summary of the assumptions used to determine the fair value for the Company’s outstanding market-based Performance Condition Grants as of September 30, 2023:

($ in thousands except for share prices)							
Grant date	12/11/2020	03/18/2021	12/16/2021	03/17/2022	12/14/2022	06/16/2023	06/16/2023
Vesting end	12/31/2023	03/18/2024	12/16/2024	03/17/2025	12/14/2025	12/31/2023	12/31/2025
Target share price to achieve award	$17.07	$20.02	$21.58	$20.43	$21.99	$19.24	$20.72
Expected volatility	29.25%	30.30%	31.29%	31.54%	32.14%	27.09%	26.58%
Risk-free interest rate	0.19%	0.33%	0.92%	2.13%	3.84%	5.2%	4.38%
Fair value per share at grant date	$15.59	$18.82	$21.48	$21.75	$26.00	$13.18	$20.24
Shares granted	3,628	10,905	3,536	13,338	4,613	33,035	28,545
Total fair value of award	$57	$205	$76	$290	$120	$435	$578

The unamortized cost associated with unvested stock grants and the weighted average period over which it is expected to be recognized as of September 30, 2023 were $2,780,000 and 20 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 Milestone 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 multiplied by the number of shares probable to vest based on the estimated achievement of specific performance measures. 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 2023 Stock Incentive Plan, each non-employee director receives all or 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 2023 Stock Incentive Plan, and outstanding grants for the 1998 Stock Incentive Plan, or the Employee Plan for the following periods:

($ in thousands)	Nine Months Ended September 30,	
Employee:	2023	2022
Expensed	$ 1,967	$ 1,646
Capitalized	379	239
	2,346	1,885
Director - Expensed	402	442
Total Stock Compensation Costs	$ 2,748	$ 2,327

10. INTEREST RATE SWAP

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

As of September 30, 2023, the fair value of the interest rate swap agreement was greater than its cost basis and as such, the mark-to-market adjustment is recorded within Other Assets on the Consolidated Balance Sheets. The Company had the following outstanding interest rate swap agreement designated as an interest rate cash flow hedge as of September 30, 2023 and December 31, 2022 ($ in thousands):

September 30, 2023					
Effective Date	Maturity Date	Fair Value Hierarchy	Weighted Average Interest Pay Rate	Fair Value	Notional Amount
June 30, 2022	June 30, 2032	Level 2	4.62%	$3,448	$47,338

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

11. INCOME TAXES

The Company’s provision for income taxes as of September 30, 2023 has been calculated by applying an estimate of the annual effective tax rate for the full year to “ordinary” income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items). For the nine months ended September 30, 2023, the Company’s income tax expense was $3,619,000 compared to $6,262,000 for the nine months ended September 30, 2022. Effective tax rates were 68% and 31% for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, the Company had income taxes payable of $3,088,000. The Company classifies interest and penalties incurred on tax payments as income tax expense.

For the nine months ended September 30, 2023, the Company’s effective tax rate was above statutory tax rates as a result of permanent differences related to Section 162(m) limitations. Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts and Jobs Act.

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 $11,657,000 is expected to be paid in 2023. For the first nine months of 2023, the Company has paid $10,700,000 for this water. 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 $290,313,000 as of September 30, 2023.

Contracts

The Company exited a consulting contract during the second quarter of 2014 related to the Grapevine Development, or Grapevine project, and is obligated to pay an earned incentive fee at the time of its successful receipt of litigated project entitlements and at a value measurement date five-years after litigated entitlements have been achieved for Grapevine. The final amount of the incentive fee will not be determined until the future payment dates. As of September 30, 2023, the Company believes the net savings resulting from exiting the contract during this future time period will more than offset the incentive payment costs.

Community Facilities Districts

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

In connection with the sale of 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 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 $62,000.

As a landowner in each CFD, the Company is obligated to pay its share of the special taxes assessed each year. The secured lands include both the TRCC-West and TRCC-East developments. Proceeds from the sale of West CFD bonds went to reimburse the Company for public infrastructure costs related to the TRCC-West development. As of September 30, 2023, there were no additional improvement funds remaining from the West CFD bonds. There are $9,763,557 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. During fiscal 2023, the Company expects to pay approximately $2,775,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. This amount could change in the future, based on the amount of bonds outstanding and the amount of taxes paid by others. The assessment of each individual property sold or leased is not determinable at this time, because it is based on the current tax rate and assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company was not required to recognize an obligation on September 30, 2023.

Centennial

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

The Climate Resolve Action and the CBD/CNPS Action collectively allege that LA County failed to properly follow the procedures and requirements of CEQA and the California Planning and Zoning Law. The Climate Resolve Action and the CBD/CNPS Action have been deemed "related" and, while not consolidated under court rules or the rules of civil procedure, the Los Angeles Superior Court judge (or Court) trying both cases determined during early trial management conferences to hold one set of hearings and issue one ruling on the matters as part of the adjudication. The Climate Resolve Action and CBD/CNPS Action seek to invalidate the Centennial Approvals and require LA County to revise the environmental documentation related to the Centennial project. The Court held three hearings for the CBD/CNPS Action and Climate Resolve Action on September 30, 2020, November 13, 2020, and January 8, 2021.

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

On November 30, 2021, the Company, together with Ranchcorp and CFL, entered into a Settlement Agreement with Climate Resolve. Pursuant to the Settlement Agreement, the Company has agreed: (1) to make Centennial a net zero GHG emissions project through various on-site and off-site measures including, but not limited to, installing electric vehicle chargers and establishing and funding incentive programs for the purchase of electric vehicles; (2) to fund certain on-site and off-site fire protection and prevention measures; and (3) to provide annual public reports and create an organization to monitor progress towards these commitments. The foregoing is only a summary of the material terms of the Settlement Agreement and does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the Settlement Agreement. In exchange, Climate Resolve filed a request for dismissal of the Climate Resolve Action with prejudice from the Court. On December 3, 2021, the Court granted and entered Climate Resolve’s dismissal with prejudice concluding the Climate Resolve Action. On December 1, 2021, the Court continued CBD/CNPS Motion for Reconsideration to January 14, 2022, directing CBD/CNPS to evaluate the Settlement Agreement reached in the Climate Resolve Action to address issues surrounding remedies should CBD be granted prevailing party status in the Climate Resolve Action, and to evaluate the potential to settle or otherwise address CBD’s objections to the Centennial project. To that end, the Company met and conferred twice on January 4, 2022 and January 20, 2022. On January 14, 2022, the Court heard CBD/CNPS' Motion for Reconsideration and issued its decision granting CBD/CNPS prevailing party status in the Climate Resolve Action.

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

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

As the Company’s options to reinstate the project approvals remain pending, the monetary value of any adverse decision, if any, cannot be estimated at this time.

Proceedings Incidental to Business

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

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

13. RETIREMENT PLANS

The Company sponsors a defined benefit retirement plan, or Benefit Plan, which 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 contributed $165,000 to the Benefit Plan in 2023.

Benefit Plan assets consist of equity, debt and short-term money market investment funds. The Benefit Plan's current investment policy changed during the third quarter of 2018. The policy's strategy seeks to minimize the volatility of the funding ratio. This objective will result in a prescribed asset mix between "return seeking" assets (e.g., stocks) and a bond portfolio (e.g., long duration bonds) according to a pre-determined customized investment strategy based on the Benefit Plan's funded status as the primary input. This path will be used as a reference point as to the mix of assets, which by design will de-emphasize the return seeking portion as the funded status improves. At September 30, 2023, the investment mixes were approximately at 99% debt and 1% money market funds. At December 31, 2022, the investment mixes were approximately 21% equity, 78% debt, and 1% money market funds. Equity investments consist of a combination of individual equity securities plus value funds, growth funds, large cap funds and international stock funds. The weighted-average discount rate used in determining the periodic pension cost is 5.00% in 2023 and 2022. The expected long-term rate of return on plan assets is 5.00% for both fiscal 2023 and 2022. The long-term rate of return on Benefit Plan assets is based on the historical returns within the plan and expectations for future returns.

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

	Nine Months Ended September 30,	
($ in thousands)	2023	2022
(Cost)/earnings components:		
Interest cost	$ (312)	$ (234)
Expected return on plan assets	315	414
Net amortization and deferral	(51)	(36)
Total net periodic pension (cost)/earnings	$ (48)	$ 144

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:

	Nine Months Ended September 30,	
($ in thousands)	2023	2022
Cost components:		
Interest cost	$ (219)	$ (138)
Net amortization and other	(30)	(87)
Total net periodic pension cost	$ (249)	$ (225)

14. REPORTING SEGMENTS AND RELATED INFORMATION

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

Real Estate - Commercial/Industrial Development

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Commercial/industrial revenues	$ 3,397	$ 22,352	$ 8,706	$ 32,163
Equity in earnings of unconsolidated joint ventures	1,161	1,991	4,616	4,867
Commercial/industrial revenues and equity in earnings of unconsolidated joint ventures	4,558	24,343	13,322	37,030
Commercial/industrial expenses	2,137	6,845	5,517	11,403
Operating results from commercial/industrial and unconsolidated joint ventures	$ 2,421	$ 17,498	$ 7,805	$ 25,627

Real Estate - Resort/Residential Development

The Resort/Residential real estate development segment is actively involved in pursuing land entitlement and development processes both internally and through joint ventures. The segment incurs costs and expenses related to land management activities on land held for future development, but currently generates no revenue. The segment generated losses of $367,000 and $372,000 for the three months ended September 30, 2023 and 2022, respectively. The segment generated losses of $1,079,000 and $1,218,000 for the nine months ended September 30, 2023 and 2022, respectively.

Mineral Resources

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Mineral resources revenues	$ 3,118	$ 3,139	$ 11,630	$ 19,238
Mineral resources expenses	2,000	1,745	6,991	11,347
Operating results from mineral resources	$ 1,118	$ 1,394	$ 4,639	$ 7,891

Farming

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Farming revenues	$ 2,642	$ 4,776	$ 4,852	$ 7,352
Farming expenses	2,157	8,752	5,644	13,976
Operating results from farming	$ 485	$ (3,976)	$ (792)	$ (6,624)

Ranch Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Ranch operations revenues	$ 1,052	$ 1,208	$ 3,384	$ 3,011
Ranch operations expenses	1,196	1,143	3,864	3,708
Operating results from ranch operations	$ (144)	$ 65	$ (480)	$ (697)

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 September 30, 2023 was $31,345,000. Equity in earnings from unconsolidated joint ventures was $4,616,000 for the nine months ended September 30, 2023. The unconsolidated joint ventures have not been consolidated as of September 30, 2023, 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 $17,209,000 as of September 30, 2023.

- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of master planned business parks in the United States. The Company has five active 50/50 joint ventures with Majestic to acquire, develop, manage, and operate industrial real estate at TRCC. The partners have equal voting rights and share equally in the profit and loss of the joint ventures.
  - On March 29, 2022, TRC-MRC 5 LLC was formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. The construction is financed by a $49,226,000 construction loan that had an outstanding balance of $25,049,000 as of September 30, 2023. This debt is guaranteed by both the Company and Majestic. In December 2022, the Company contributed land with fair value of $8,501,000 to TRC-MRC5, LLC. The total cost of the land was $2,477,000. The Company recognized profit of $3,012,000 and deferred profit of $3,012,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers and ASC Topic 323, Investments - Equity Method and Joint Ventures. The project is currently under construction and is expected to be completed by the first quarter of 2024. The joint venture has leased 100% of the rentable space.
  - On March 25, 2021, TRC-MRC 4 LLC was formed to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. The construction was completed in the fourth quarter of 2022, and the Company has leased 100% of the rentable space. The joint venture refinanced its construction loan in March 2023 with a promissory note. The note matures on March 1, 2033, and had an outstanding balance of $61,993,000 as of September 30, 2023. 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. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $5,893,000. 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 November 2018, TRC-MRC 3, LLC was formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building located within TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary; therefore, it does not consolidate TRC-MRC 3, LLC in its financial statements. The building was 100% leased as of September 30, 2023. 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 $33,847,000 as of September 30, 2023. 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 $134,000 as of September 30, 2023.
- 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 had an outstanding principal balance of $22,110,000 as of September 30, 2023. The building was 100% leased as of September 30, 2023. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $1,668,000. 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 was 100% leased as of September 30, 2023. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of $1,604,000. 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 $22,308,000 was outstanding as of September 30, 2023.

- TRCC/Rock Outlet Center LLC – This joint venture was formed in 2013 with Rockefeller Group Development Corporation, or Rockefeller. to develop, own, and manage a net leasable 326,000 square foot outlet center on land at TRCC-East. At September 30, 2023, the Company’s equity investment balance in this joint venture was $9,723,000. The Company controls 50% of the voting interests of TRCC/Rock Outlet Center LLC; thus, it does not control the joint venture by voting interest alone. The Company is the named managing member. The managing member’s responsibilities relate to the routine day-to-day activities of TRCC/Rock Outlet Center LLC. However, all operating decisions, 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 August 16, 2023, the TRCC/Rock Outlet Center LLC joint venture successfully extended the maturity date of its term note with a financial institution from May 31, 2024 to June 30, 2025. In connection with the loan extension, the joint venture also reduced the outstanding amount by $6,000,000. As of September 30, 2023, the outstanding balance of the term note was $20,924,000. The Company and Rockefeller guarantee the performance of the debt.
- Centennial Founders, LLC – CFL is a joint venture with Tri Pointe Homes to pursue the entitlement and development of land that the Company owns in Los Angeles County. As of September 30, 2023, the Company owned 93.39% of CFL.

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

Unaudited condensed statement of operations for the nine months ended September 30, 2023 and condensed balance sheet information of the Company’s unconsolidated joint ventures as of September 30, 2023 and December 31, 2022 are as follows:

($ in thousands)	Three Months Ended September 30, 2023 Joint Venture Revenues	2022 Joint Venture Revenues	2023 Joint Venture Earnings (Loss)	2022 Joint Venture Earnings (Loss)	2023 TRC Equity in Earnings (Loss)	2022 TRC Equity in Earnings (Loss)
Petro Travel Plaza Holdings, LLC	$ 44,976	$ 49,108	$ 1,736	$ 3,653	$ 1,041	$ 2,192
18-19 West, LLC	—	—	—	(16)	—	(7)
TRCC/Rock Outlet Center, LLC[1]	1,740	1,415	(753)	(944)	(376)	(472)
TRC-MRC 1, LLC	1,110	805	373	60	187	29
TRC-MRC 2, LLC	1,647	1,008	683	342	341	171
TRC-MRC 3, LLC	1,138	1,065	68	156	33	78
TRC-MRC 4, LLC	1,746	—	(120)	—	(59)	—
TRC-MRC 5, LLC	—	—	(12)	—	(6)	—
Total	$ 52,357	$ 53,401	$ 1,975	$ 3,251	$ 1,161	$ 1,991
Centennial Founders, LLC	$ 15	$ 55	$ (84)	$ (157)	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 for the three months ended September 30, 2023 and September 30, 2022, respectively.

($ in thousands)	Nine Months Ended September 30, 2023 Joint Venture Revenues	2022 Joint Venture Revenues	2023 Joint Venture Earnings (Loss)	2022 Joint Venture Earnings (Loss)	2023 TRC Equity in Earnings (Loss)	2022 TRC Equity in Earnings (Loss)
Petro Travel Plaza Holdings, LLC	$ 120,002	$ 136,905	$ 6,880	$ 8,843	$ 4,128	$ 5,306
18-19 West, LLC	—	—	—	(63)	—	(31)
TRCC/Rock Outlet Center, LLC[1]	4,734	4,355	(2,512)	(2,322)	(1,256)	(1,161)
TRC-MRC 1, LLC	3,229	2,445	826	54	413	26
TRC-MRC 2, LLC	4,468	3,064	2,084	1,024	1,042	512
TRC-MRC 3, LLC	3,270	3,098	471	440	235	220
TRC-MRC 4, LLC	5,281	—	149	(11)	75	(5)
TRC-MRC 5, LLC	—	—	(42)	—	(21)	—
Total	$ 140,984	$ 149,867	$ 7,856	$ 7,965	$ 4,616	$ 4,867
Centennial Founders, LLC	$ 190	$ 379	$ (46)	$ 18	Consolidated	

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of $0.9 million and $0.9 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

($ in thousands)	September 30, 2023 Joint Venture Assets	Debt	Equity (Deficit)	TRC Equity	December 31, 2022 Joint Venture Assets	Debt	Equity (Deficit)	TRC Equity
Petro Travel Plaza Holdings, LLC	$ 71,890	$ (12,746)	$ 49,349	$ 17,209	$ 84,225	$ (13,318)	$ 63,069	$ 25,441
TRCC/Rock Outlet Center, LLC	57,447	(20,924)	35,572	9,723	59,196	(27,707)	30,684	7,279
TRC-MRC 1, LLC	25,152	(22,308)	1,338	—	24,085	(22,787)	1,042	—
TRC-MRC 2, LLC	19,095	(22,110)	(1,944)	—	18,398	(22,612)	(3,939)	—
TRC-MRC 3, LLC	36,040	(33,847)	3,555	134	36,608	(34,494)	2,690	386
TRC-MRC 4, LLC	50,923	(61,993)	(8,867)	—	50,497	(40,130)	8,974	4,485
TRC-MRC 5, LLC	34,843	(25,049)	8,558	4,279	8,602	—	—	4,300
Total	$ 295,390	$ (198,977)	$ 87,561	$ 31,345	$ 281,611	$ (161,048)	$ 102,520	$ 41,891
Centennial Founders, LLC	$ 104,309	$ —	$ 103,963	***	$ 102,984	$ —	$ 102,689	***

*** 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 SWP entitlement and all of TCWD’s banked water. TCWD is also entitled to make assessments of all taxpayers within the district, to the extent funds are required to cover expenses and to charge water users within the district for the use of water. From time to time, the Company transacts with TCWD in the ordinary course of business.

The Company has water contracts with WRMWSD for SWP water deliveries to its agricultural and municipal/industrial operations in the San Joaquin Valley. The terms of these contracts extend to 2035. Under the contracts, the Company is entitled to annual water for 5,496 acres of land, or 15,547 acre-feet of water, subject to SWP allocations. The Company's Executive Vice President and Chief Operating Officer is one of nine directors at WRMWSD. As of September 30, 2023, the Company paid $4,488,000 for these water contracts and related costs.

17. SUBSEQUENT EVENTS

On October 23, 2023, the Company terminated its interest rate swap agreement with Bank of America, N.A., and received a $3,715,000 cash termination fee from Bank of America, N.A.

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 and other future events and conditions. In some cases, these statements are identifiable through use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "will," "should," "would," "likely," and similar expressions such as "in the process." In addition, any statements that refer to projections of our future financial performance, our anticipated growth, and trends in our business and other characterizations of future events or circumstances are forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performance, are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, weather, market and economic forces, availability of financing for land development activities, and competition and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for several reasons, including those described above and in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K.

OVERVIEW

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

Business Objectives and Strategies

Our primary business objective is to maximize long-term shareholder value through the 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 include up to 35,278 housing units, and more than 35 million square feet of commercial space. We have obtained entitlements for MV and the first approved final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses. The Grapevine at Tejon Community has approved entitlements for 12,000 units and 5 million square feet of commercial development. Centennial at Tejon Ranch, or Centennial, had entitlements approved in 2019 by the Los Angeles County Board of Supervisors. These approvals were litigated in two lawsuits filed in Los Angeles County Superior Court in May 2019 and the Company has since worked on defending and addressing the ongoing litigation, including considering all options to address the Superior Court's January 2022 decision and the Superior Court's March 22, 2023 final judgment. On May 26, 2023, we filed a Notice of Appeal, thereby appealing the Superior Court's decision to the Second District of the California Court of Appeal. On June 27, 2023, CBD/CNPS cross-appealed the Superior Court's ruling. During the appeal process the Superior Court's order of the rescission of project approvals have been placed on hold. See Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information regarding the Centennial litigation.

We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our fully operational commercial/industrial center, TRCC. As previously reported, we received approval from Kern County allowing for development of multi-family apartment uses within TRCC, on a 27-acre site located immediately north of the Outlets at Tejon. This authorization allows us to develop up to a maximum of 495 multi-family residences, in thirteen apartment buildings, as well as approximately 6,500 square feet of community amenity space and up to 8,000 square feet of community serving retail. All of these efforts are supported by diverse revenue streams generated from other operations, including: farming, mineral resources, ranch operations, and our various joint ventures.

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

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

- A joint venture with TravelCenters of America that owns and operates two travel and truck stop facilities, comprised of five separate gas stations with convenience stores and fast-food restaurants within TRCC-West and TRCC-East.
- A joint venture with Rockefeller Development Group, or Rockefeller:
    - TRCC/Rock Outlet Center LLC operates the Outlets at Tejon, a net leasable 326,000 square foot shopping experience in TRCC-East.
- Five joint ventures with Majestic Realty Co., or Majestic, to develop, manage, and operate 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;
    - 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 that is fully leased; and
    - TRC-MRC 5 LLC was formed on 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 under construction and is expected to be completed by the first quarter of 2024. The building is fully leased.

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

- 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. See Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information related to current litigation;
- Grapevine is an 8,010-acre development area located on the San Joaquin Valley floor area of our lands, adjacent to TRCC. Upon completion of Grapevine, the community will include 12,000 homes, 5.1 million square feet of commercial development, and more than 3,367 acres of open space and parks; and
- Immediately northeast of Grapevine is Grapevine North, a 7,655-acre development area, which is currently used for agricultural purposes. Identified as a development area in the RWA, Grapevine North presents a significant opportunity for future development. Grapevine North is envisioned to be a 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, 2022, 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 2023 Performance

For the three months ended September 30, 2023, we had a net loss attributable to common stockholders of $341,000 compared to net income of $10,184,000 for the three months ended September 30, 2022. The primary driver of this decrease was from our commercial/industrial segment, which had a $14,247,000 decline in its operating profit over the comparative period. The decline was caused by the absence of land sales during the current period. Partially offsetting this decrease was a $4,461,000 improvement in farming segment operating results, driven by lower cost of sales and lower water costs.

For the nine months ended September 30, 2023, we had net income attributable to common stockholders of $1,700,000 compared to $13,824,000 for the same period in 2022. The primary factor driving this decline was due to the absence of land sales in 2023 compared to two land sales in 2022 in our commercial/industrial segment, contributing to a $17,571,000 decrease in operating income. Another factor driving the decline was a $3,252,000 decrease in mineral resources segment operating profit, mainly attributable to limited opportunities to sell water as a result of the 100% SWP allocation. The above decreases were offset by an improvement in farming segment operating results of $5,832,000, attributable primarily to lower cost of sales and lower water costs. Also offsetting the decreases was lower income tax expense by $2,643,000 over the comparative period, resulting from lower operating income recognized for the year.

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

During the nine months ended September 30, 2023, our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended December 31, 2022. 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:

	Three Months Ended September 30,		Change	
($ in thousands)	2023	2022	$	%
Commercial/industrial revenues				
Pastoria Energy Facility	$ 1,539	$ 1,385	$ 154	11 %
TRCC Leasing	439	384	55	14 %
TRCC management fees and reimbursements	395	223	172	77 %
Commercial leases	173	167	6	4 %
Communication leases	251	254	(3)	(1)%
Landscaping and other	600	314	286	91 %
Land sale	—	19,625	(19,625)	(100)%
Total commercial/industrial revenues	$ 3,397	$ 22,352	$ (18,955)	(85)%
Total commercial/industrial expenses	$ 2,137	$ 6,845	$ (4,708)	(69)%
Operating income from commercial/industrial	$ 1,260	$ 15,507	$ (14,247)	(92)%

- Commercial/industrial real estate development segment revenues were $3,397,000 for the three months ended September 30, 2023, a decrease of $18,955,000, or 85%, from $22,352,000 for the three months ended September 30, 2022. The absence of a land sale was the primary driver of this decrease.
- Commercial/industrial real estate development segment expenses were $2,137,000 for the three months ended September 30, 2023, a decrease of $4,708,000, or 69%, from $6,845,000 for the three months ended September 30, 2022. The decrease was primarily attributable to not incurring land cost of sales due to the absence of a land sale in 2023.

	Nine Months Ended September 30,		Change	
($ in thousands)	2023	2022	$	%
Commercial revenues				
Pastoria Energy Facility	$ 3,895	$ 3,377	$ 518	15 %
TRCC Leasing	1,265	1,138	127	11 %
TRCC management fees and reimbursements	842	1,173	(331)	(28)%
Commercial leases	495	483	12	2 %
Communication leases	782	762	20	3 %
Landscaping and other	1,427	924	503	54 %
Land sale	—	24,306	(24,306)	(100)%
Total commercial revenues	$ 8,706	$ 32,163	$ (23,457)	(73)%
Total commercial expenses	$ 5,517	$ 11,403	$ (5,886)	(52)%
Operating income from commercial/industrial	$ 3,189	$ 20,760	$ (17,571)	(85)%

- Commercial/industrial real estate development segment revenues were $8,706,000 for the first nine months of 2023, a decrease of $23,457,000, or 73%, from $32,163,000 for the first nine months of 2022. As mentioned above, this decrease in revenues was primarily attributable to the absence of land sales during 2023.
- Commercial/industrial real estate development segment expenses were $5,517,000 during the first nine months of 2023, a decrease of $5,886,000, or 52%, from $11,403,000 during the first nine months of 2022. The decrease in expenses is consistent with the reduced revenues from the absence of land sales.

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

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

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

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

During the quarter ended September 30, 2023, vacancy rates in the Inland Empire climbed 100 basis points to 3.9% and net absorption rebounded due to large preleased deliveries. However, new supply continued to outpace net absorption for the seventh consecutive quarter. The average asking rent growth streak snapped, dropping by $0.10 from June 30, 2023 and $0.02 from September 30, 2022. With an increasing vacancy and another 27.4 million square feet in the construction pipeline, vacancy will continue to tick up with rents flattening out. The San Fernando Valley and Ventura County industrial markets continue to see tight conditions, as vacancy and availability sit at historically low numbers. Some vacancy was returned to the market, and the overall vacancy rate in the San Fernando Valley increased by 10 basis points to 0.9%, while in Ventura County, it decreased by 10 basis points to 1.4%. Average asking rates remained strong in the San Fernando Valley at $1.73 per square foot, whereas Ventura County saw a slight decrease to $1.20 per square foot.

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 tightened. 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. As an example, the Company's TRC-MRC 5 LLC joint venture with Majestic, a Los Angeles-based commercial industrial developer, formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. This industrial building is currently under construction with completion expected during the first quarter of 2024. A lease was secured, in advance of construction, for the entirety of this space with Sunrise Brands, a leading designer, producer, distributor, and retailer of both branded and private-label apparel, who is moving out of Los Angeles.

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. We continue to see the impact of inflation within our construction costs and expect our costs to be impacted by inflation throughout 2023 and possibly into 2024. From a macroeconomic perspective, the tightening of capital markets may cause a near-term slowdown in new commercial real estate developments.

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

Real Estate – Resort/Residential:

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

Resort/residential real estate development segment expenses were $367,000 for the three months ended September 30, 2023, a decrease of $5,000, or 1%, from $372,000 for the three months ended September 30, 2022.

Resort/residential real estate development segment expenses were $1,079,000 for the first nine months of 2023, a decrease of $139,000, or 11%, from $1,218,000 for the first nine months of 2022. The decrease is namely attributed to a decrease in payroll and consulting costs.

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

As we move forward with our master planned communities, we expect to explore funding opportunities for the future development of our projects. Such funding opportunities could come from a variety of sources, such as joint ventures with financial partners, debt financing, or the Company's issuance of additional common stock.

Mineral Resources:

	Three Months Ended September 30,		Change	
($ in thousands)	2023	2022	$	%
Mineral resources revenues				
Oil and gas	$ 243	$ 322	$ (79)	(25)%
Cement	680	797	(117)	(15)%
Rock aggregate	671	761	(90)	(12)%
Exploration leases	9	18	(9)	(50)%
Water Sales	1,516	1,228	288	23 %
Reimbursables and other	(1)	13	(14)	(108)%
Total mineral resources revenues	$ 3,118	$ 3,139	$ (21)	(1)%
Total mineral resources expenses	$ 2,000	$ 1,745	$ 255	15 %
Operating income from mineral resources	$ 1,118	$ 1,394	$ (276)	(20)%

- Mineral resources segment revenues were $3,118,000 for the three months ended September 30, 2023, a decrease of $21,000, or 1%, from $3,139,000 for the three months ended September 30, 2022. The reduction in revenues is primarily attributed to a decline in royalties recognized on cement, aggregate and oil gas sales, partially offset by an increase in water sales revenue during the period.
- Mineral resources segment expenses were $2,000,000 for the three months ended September 30, 2023, an increase of $255,000, or 15%, from $1,745,000 for the three months ended September 30, 2022. The increase is primarily due to higher water cost of sales recognized and an increase in property tax expense when compared to the previous year.

($ in thousands)	Nine Months Ended September 30, 2023	2022	Change $	%
Mineral resources revenues				
Oil and gas	$ 760	$ 1,032	$ (272)	(26)%
Cement	1,870	2,231	(361)	(16)%
Rock aggregate	1,457	1,560	(103)	(7)%
Exploration leases	26	88	(62)	(70)%
Water Sales	6,615	13,635	(7,020)	(51)%
Reimbursables and other	902	692	210	30 %
Total mineral resources revenues	$ 11,630	$ 19,238	$ (7,608)	(40)%
Total mineral resources expenses	$ 6,991	$ 11,347	$ (4,356)	(38)%
Operating income from mineral resources	$ 4,639	$ 7,891	$ (3,252)	(41)%

- Mineral resources segment revenues were $11,630,000 for the first nine months of 2023, a decrease of $7,608,000, or 40%, from $19,238,000 for the first nine months of 2022. The reduction in revenues is primarily attributed to increased water availability. The SWP allocation is currently at 100%, whereas in 2022 it was at 5%, which severely limits the Company's water sales opportunities. Additionally, the Company experienced a decline in royalties due to lower production volume of cement, aggregate and oil and gas.
- Mineral resources segment expenses were $6,991,000 for the first nine months of 2023, a decrease of $4,356,000, or 38%, when compared to the same period in 2022. This decrease is consistent with the reduced water sales volume when compared to the previous year. This decrease was partially offset by an increase in property tax expense.

As anticipated changes arise in the future related to groundwater management in California, such as limits on groundwater pumping, we believe our water assets, including water banking operations, ground water recharge programs, and access to water contracts like those we have purchased in the past, will become even more important and valuable in servicing our projects and providing opportunities for water sales to third-parties.

Prices for oil and natural gas fluctuate in response to relatively minor changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, such as: changes in domestic and global supply and demand, domestic and global inventory levels, political and regulatory conditions in California, and international disputes. Production has seen an overall decline in California as a result of regulatory conditions.

Farming:

($ in thousands)	Three Months Ended September 30, 2023	2022	Change $	%
Farming revenues				
Almonds	$ 581	$ 1,752	$ (1,171)	(67)%
Pistachios	—	903	(903)	(100)%
Wine grapes	1,885	1,906	(21)	(1)%
Hay	15	55	(40)	(73)%
Other	161	160	1	1 %
Total farming revenues	$ 2,642	$ 4,776	$ (2,134)	(45)%
Total farming expenses	$ 2,157	$ 8,752	$ (6,595)	(75)%
Operating loss from farming	$ 485	$ (3,976)	$ 4,461	(112)%

- Farming segment revenues were $2,642,000 for the three months ended September 30, 2023, a decrease of $2,134,000, or 45%, from $4,776,000 during the same period in 2022. The decrease is mainly caused by declines in almond and pistachio sales. The decline in almond sales is attributed to delay in harvesting the 2023 crops, which resulted in less almonds available for sale when compared to 2022 for the same three-month period. Comparatively, we sold 345,000 and 863,000 pounds of almonds during the three months ended September 30, 2023 and 2022, respectively. For pistachios, the harvest has also been delayed due to weather conditions during the year, resulting in no revenue realized on this crop for the current period.

- Farming segment expenses were $2,157,000 for the three months ended September 30, 2023, a decrease of $6,595,000, or 75%, from $8,752,000 during the same period in 2022. The decrease in expenses resulted from having fewer almond sales over the comparative periods, as well as no pistachio crop expense due to late harvest, compared to the $2,922,000 in pistachio crop expense recognized in 2022.

	Nine Months Ended September 30,		Change	
($ in thousands)	2023	2022	$	%
Farming revenues				
Almonds	$ 2,153	$ 3,878	$ (1,725)	(44)%
Pistachios	(4)	903	(907)	(100)%
Wine grapes	1,924	1,906	18	1 %
Hay	190	373	(183)	(49)%
Other	589	292	297	102 %
Total farming revenues	$ 4,852	$ 7,352	$ (2,500)	(34)%
Total farming expenses	$ 5,644	$ 13,976	$ (8,332)	(60)%
Operating loss from farming	$ (792)	$ (6,624)	$ 5,832	(88)%

- Farming segment revenues were $4,852,000 for the first nine months of 2023, a decrease of $2,500,000, or 34%, from $7,352,000 during the same period in 2022. The decline is primarily driven by a decline in almond selling price, along with variations in the mix of almonds sold. During 2022, a majority of the almonds sold were of the Nonpareil and Monterey varieties, which generally sell at a higher price. In terms of units sold, the Company sold 989,000 and 1,500,000 pounds of almonds during the nine months ended September 30, 2023 and 2022, respectively. Delayed harvest for pistachios also attributed to the decline in farming revenues.
- Farming segment expenses were $5,644,000 for the first nine months of 2023, a decrease of $8,332,000, or 60%, from $13,976,000 when compared to the same period in 2022. The decline in farming expenses is primarily driven by lower almond cost of sales that resulted from lower almond sales. The late pistachio harvest delayed the timing of recognition in crop costs, which historically have commenced in the third quarter of the year. Additionally, the Company incurred less fixed water charges due to greater water availability in 2023.

Our almond, pistachio, and wine grape crop sales are highly seasonal, with most of our sales occurring during the third and fourth quarters. Each year, almonds and pistachios are sold at market prices, while grapes are sold to wineries at contracted prices. We expect that our farming operations during 2023 will continue to be impacted by higher costs of production, such as fuel costs, fertilizer costs, pest control costs, and labor costs. Higher than historically normal almond inventory levels are anticipated to have a continuing adverse effect on selling prices for the remainder of 2023. The current industry subjective estimate for the 2023 almond crop is 2.6 billion pounds, which is consistent with 2022.

Weather conditions can also impact the number of tree and vine dormant hours, which are integral to tree and vine growth. Farmers in California have faced a series of challenges in recent years, and this wet, cool winter and spring created different obstacles after three years of drought. In addition, higher cultural and financing costs and a reduced bloom cycle with highly compromised bee flight hours created more adversity for farmers. The Company's harvest has been delayed for pistachios and almonds as a result of spring and early summer weather conditions. However, the abundant rain and snow has vastly improved the water situation while shipping logistics continue to improve.

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

Ranch Operations:

($ in thousands)	Three Months Ended September 30, 2023	2022	Change $	%
Ranch Operations revenues				
Game management and other [1]	$ 693	$ 838	$ (145)	(17)%
Grazing	359	370	(11)	(3)%
Total Ranch Operations revenues	$ 1,052	$ 1,208	$ (156)	(13)%
Total Ranch Operations expenses	$ 1,196	$ 1,143	$ 53	5 %
Operating (loss) income from Ranch Operations	$ (144)	$ 65	$ (209)	(322)%

[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 $1,052,000 for the three months ended September 30, 2023, a decrease of $156,000, or 13%, from $1,208,000 for the same period in 2022. The decrease is primarily attributed to lower filming location revenues, offset by higher revenues recognized for guided hunts.
- Ranch operations expenses were $1,196,000 for the three months ended September 30, 2023, an increase of $53,000, or 5%, from $1,143,000 for the same period in 2022. This slight increase is attributed to an increase in insurance costs and third-party landscaping services when compared to the prior period. The increase in landscaping services will continue throughout the year as we shift to third-parties for landscaping services.

($ in thousands)	Nine Months Ended September 30, 2023	2022	Change $	%
Ranch Operations revenues				
Game Management and other [1]	$ 2,096	$ 2,001	$ 95	5 %
Grazing	1,288	1,010	278	28 %
Total Ranch Operations revenues	$ 3,384	$ 3,011	$ 373	12 %
Total Ranch Operations expenses	$ 3,864	$ 3,708	$ 156	4 %
Operating loss from Ranch Operations	$ (480)	$ (697)	$ 217	(31)%

[1] Game management and other revenues consist of revenues from hunting, filming, High Desert Hunt Club (a premier upland bird hunting club), and other ancillary activities.

- Ranch operations revenues were $3,384,000 for the first nine months of 2023, an increase of $373,000, or 12%, from $3,011,000 for the same period in 2022. The increase is primarily attributed to higher grazing lease revenues.
- Ranch operations expenses were $3,864,000 for the first nine months of 2023, an increase of $156,000, or 4%, from $3,708,000 for the same period in 2022. This slight increase is attributed to an increase in insurance costs and third-party landscaping services when compared to the prior period.

Corporate and Other:

Corporate general and administrative costs were $2,315,000 for the three months ended September 30, 2023, an increase of $685,000, or 42%, from $1,630,000 for the same period in 2022. The increase is primarily attributable to higher salary expense and stock compensation expense recognized during the period.

Corporate general and administrative costs were $6,824,000 for the first nine months of September 30, 2023, an increase of $594,000, or 10%, from $6,230,000 for the same period in 2022. The increase in expenses relates to higher salary expense and professional accounting fees over the comparative periods.

Total other income was $670,000 for the three months ended September 30, 2023, an increase of $255,000 from $415,000 for the same period in 2022. This increase is primarily attributed to an increase in interest income resulting from higher interest rates over the comparative periods.

Total other income was $2,047,000 for the nine months ended September 30, 2023, an increase of $709,000, from $1,338,000 for the same period in 2022. This increase is attributed to an increase in interest income resulting from an increase in marketable securities invested and higher interest rates over the comparative periods.

Joint Ventures:

($ in thousands)	Three Months Ended September 30, 2023	2022	Change $	%
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	$ 1,041	$ 2,192	$ (1,151)	(53)%
18-19 West, LLC	—	(7)	7	(100)%
TRCC/Rock Outlet Center, LLC	(376)	(472)	96	(20)%
TRC-MRC 1, LLC	187	29	158	545 %
TRC-MRC 2, LLC	341	171	170	99 %
TRC-MRC 3, LLC	33	78	(45)	(58)%
TRC-MRC 4, LLC	(59)	—	(59)	100 %
TRC-MRC 5, LLC	(6)	—	(6)	100 %
Total equity in earnings	$ 1,161	$ 1,991	$ (830)	(42)%

- Equity in earnings was $1,161,000 for the three months ended September 30, 2023, a decrease of $830,000, from $1,991,000 during the same period in 2022. The decrease is primarily attributed to lower equity in earnings realized on Petro Travel Plaza joint venture as a result of lower fuel margins as inventory costs increased. We expect margins to normalize in the fourth quarter of 2023.

($ in thousands)	Nine Months Ended September 30, 2023	2022	Change $	%
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	$ 4,128	$ 5,306	$ (1,178)	(22)%
18-19 West, LLC	—	(31)	31	(100)%
TRCC/Rock Outlet Center, LLC	(1,256)	(1,161)	(95)	8 %
TRC-MRC 1, LLC	413	26	387	*
TRC-MRC 2, LLC	1,042	512	530	104 %
TRC-MRC 3, LLC	235	220	15	7 %
TRC-MRC 4, LLC	75	(5)	80	*
TRC-MRC 5, LLC	(21)	—	(21)	*
Total equity in earnings	$ 4,616	$ 4,867	$ (251)	(5)%

*Percentage change not meaningful

- Equity in earnings was $4,616,000 for the nine months ended September 30, 2023, a decrease of $251,000, or 5%, from $4,867,000 during the same period in 2022. Petro Travel Plaza equity in earnings decreased during the year due to lower fuel margins. This decrease is partially offset by increases in equity in earnings of TRC-MRC 1, LLC and TRC-MRC 2, LLC joint ventures, mainly attributed to a combination of new leases at higher rental rates and rent escalations. Additionally, the lease within the TRC-MRC 4, LLC joint venture commenced in late 2022, bringing on a new revenue stream.

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

General Outlook

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

For further discussion of the risks and uncertainties that could potentially adversely affect us, please refer to Part I, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022, 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 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 nine months ended September 30, 2023, we had net income tax expense of $3,619,000 compared to $6,262,000 for the nine months ended September 30, 2022. The effective tax rates approximated 68% and 31% for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, income taxes payable amounted to $3,088,000. We classify interest and penalties incurred on tax payments as income tax expenses. Our effective tax rates were higher than statutory rates primarily because of permanent differences related to Section 162(m). The Section 162(m) compensation deduction limitations occurred due to changes in tax law arising from the 2017 Tax Cuts and Jobs Act.

Cash Flow and Liquidity

Our financial position allows us to pursue our strategies of 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 $72,605,000 as of September 30, 2023, an increase of $42,000 from $72,563,000 as of December 31, 2022.

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

(in thousands)		2023		2022
Operating activities	$	14,750	$	1,868
Investing activities	$	(6,805)	$	(5,383)
Financing activities	$	(3,915)	$	(2,372)

Operating Activities

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

During the first nine months of 2022, our operations provided $1,868,000 primarily as a result of distributions of earnings from unconsolidated joint ventures.

Investing Activities

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

During the first nine months of 2022, investing activities used $5,383,000. We made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of $17,687,000, which includes predevelopment activities for our master planned communities; $2,465,000 consisting of permitting efforts for MV; $657,000 consisting of permitting efforts for Grapevine, and costs related to litigation defense for Centennial of $2,675,000. At TRCC, we spent $6,399,000 on infrastructure improvements and planning on the residential community at TRCC-East. Within our farming segment, we spent $5,046,000, which includes cultural costs for orchards not currently in production and replacing machinery and equipment.

Lastly, we used $988,000 to acquire water assets. We had marketable securities of $27,961,000 that matured and we invested $48,614,000. Lastly, we received proceeds of $3,968,000, $5,202,000, and $24,950,000, from joint venture distributions, water sales, and land sales, respectively.

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

Our estimated capital investment, inclusive of capitalized interest and payroll, for the remainder of 2023 is primarily related to our real estate projects. These estimated investments include approximately $6,298,000 of infrastructure development at TRCC-East to support continued commercial retail and industrial development and to design and construct water facilities to support future anticipated absorption. We also plan to continue to invest in cultural costs tied to new almond orchards and vineyards, and to replace farm equipment. The farm investments are part of a long-term farm management program to redevelop declining orchards and vineyards to maintain and improve future farm revenues. Lastly, we expect to invest up to $2,480,000 for land planning, litigation/appeals, federal and state agency permitting activities, and development activities at MV, Centennial, and Grapevine during the remainder of 2023.

We capitalize interest cost as a cost of the project only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the nine months ended September 30, 2023 and 2022, was $1,828,000 and $1,682,000, respectively, and is classified within real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects, which aggregated $1,744,000 and $1,779,000 for the nine months ended September 30, 2023 and 2022, respectively. Expenditures for repairs and maintenance are expensed as incurred.

Financing Activities

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

During the first nine months of 2022, financing activities used $2,372,000, which was attributable to long-term debt service of $51,272,000, tax payments on vested share grants of $1,122,000, offset by debt issuance of $49,080,000 and proceeds from interest rate swap termination of $1,123,000.

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 our experience, we believe we 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 or secure other forms of financing such as joint ventures and possibly debt financing.

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

Capital Structure and Financial Condition

At September 30, 2023, total capitalization at book value was $529,822,000, consisting of $48,832,000 of debt and $480,990,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 9.2%.

On June 30, 2022, we entered into a variable rate term note, or New Term Note, and a New Revolving Line of Credit Note, or New RLC, with Bank of America, N.A, (Lender) or collectively the New Credit Facility. The New Term Loan provides a principal amount of $49,080,000 and a maturity date of June 30, 2032, which was used to pay off the existing Wells Fargo Amended Term Note. We evaluated the exchange under ASC 470 and determined that the exchange should be treated as a debt extinguishment. The amount available from the New RLC under the New Credit Facility is $40,607,000. As a subfacility under the New RLC, the Lender agrees to provide up to $10,000,000 of capacity to issue standby letters of credit. The Company currently has $4,393,000 outstanding on a standby letter of credit (see Off-Balance Sheet Arrangements section below for further discussion). We can issue an additional $5,607,000 in standby letters of credit.

The New Term Note had a $47,338,000 balance as of September 30, 2023. The interest rate per annum applicable to the New Term Loan is the daily SOFR plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The New Term Note requires monthly amortization payments pursuant to a schedule set forth in the New Term Note, with the final outstanding principal amount due June 30, 2032. The New Credit Facility is secured by our farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The New RLC had no outstanding balance as of September 30, 2023. At our option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% for interest periods elected by us. During the term of the New RLC (which expires on June 30, 2027), the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then reborrow, as necessary.

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

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

At September 30, 2023 and December 31, 2022, we were in compliance with all financial covenants.

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

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

We also have a $4,750,000 promissory note agreement, whose monthly principal and interest 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 September 30, 2023 was $1,494,000.

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

In May 2022, we filed an updated shelf registration statement on Form S-3, which went effective in May 2022. Under the shelf registration statement, we may offer and sell in the future through one or more offerings not to exceed $200,000,000 of common stock, preferred stock, debt securities, warrants or any combination of the foregoing. The shelf registration allows for efficient and timely access to capital markets and, when combined with our other potential funding sources just noted, provides us with a variety of capital funding options that can then be used and appropriately matched to our funding needs.

Although we had a strong liquidity position at September 30, 2023 with $72,605,000 in cash and securities and $40,607,000 available on our New 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/or the issuance of common stock. We will use a combination of the above funding sources to properly match funding requirements with the assets or development project being funded. There is no assurance that we can obtain financing or that we can obtain financing at favorable terms. We believe we have adequate capital resources to fund our cash needs and our capital investment requirements in the near term as described earlier in the cash flow and liquidity discussions.

Contractual Cash Obligations

The following table summarizes our contractual cash obligations and commercial commitments as of September 30, 2023, to be paid over the next five years and thereafter:

	Payments Due by Period				
(In thousands)	Total	One Year or Less	Years 2-3	Years 4-5	Thereafter
Contractual Obligations:					
Estimated water payments	$ 290,313	$ 12,800	$ 26,762	$ 28,393	$ 222,358
Long-term debt	48,832	1,844	3,964	4,363	38,661
Interest on long-term debt	16,116	2,204	4,146	3,765	6,001
Cash contract commitments	11,161	7,002	2,570	518	1,071
Defined Benefit Plan	4,735	341	839	993	2,562
SERP	4,973	515	1,059	1,108	2,291
Financing fees	163	163	—	—	—
Total contractual obligations	$ 376,293	$ 24,869	$ 39,340	$ 39,140	$ 272,944

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

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

Our cash contract commitments consist of contracts in various stages of completion related to infrastructure development within our industrial 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 us to the plan trust, estimates of payments to employees from the plan trust, and estimates of future payments to employees from us that are in the SERP program. We contributed $165,000 to our defined benefit plan in 2023.

Off-Balance Sheet Arrangements

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

	Amount of Commitment Expiration Per Period				
($ in thousands)	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 TRPFFA is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within our Kern County developments. TRPFFA created two CFDs, the West CFD and the East CFD. The West CFD has placed liens on 420 acres of our land to secure payment of special taxes related to $19,540,000 of bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of our land to secure payments of special taxes related to $72,055,000 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 we, as the largest landowner in the CFD, fail to make our 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. As of September 30, 2023, we believe 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 $62,000. 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, we were not required to recognize an obligation as of September 30, 2023.

As of September 30, 2023, aggregate outstanding debt of unconsolidated joint ventures was $198,977,000; $186,231,000 of this debt is subject to various degrees of guarantees ranging from 0% to 100% of the total debt outstanding, with construction loans generally being 100% guaranteed. As of September 30, 2023, only $45,973,000 of outstanding debt is subject to guarantees. Because of positive cash flow generation within the Rockefeller and Majestic joint ventures, we, as of September 30, 2023, do not expect any guarantee to be called upon. We do not provide a guarantee on the $12,746,000 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Net (loss) income	$ (347)	$ 10,173	$ 1,697	$ 13,825
Net (loss) income attributable to non-controlling interest	(6)	(11)	(3)	1
Net (loss) income attributable to common stockholders	(341)	10,184	1,700	13,824
Interest, net				
Consolidated	(700)	(204)	(1,775)	(300)
Our share of interest expense from unconsolidated joint ventures	1,216	725	3,618	1,955
Total interest, net	516	521	1,843	1,655
Income taxes	2,215	3,221	3,619	6,262
Depreciation and amortization:				
Consolidated	1,028	1,294	3,003	3,342
Our share of depreciation and amortization from unconsolidated joint ventures	1,393	1,095	4,005	3,337
Total depreciation and amortization	2,421	2,389	7,008	6,679
EBITDA	4,811	16,315	14,170	28,420
Stock compensation expense	864	1	2,369	2,088
Adjusted EBITDA	$ 5,675	$ 16,316	$ 16,539	$ 30,508

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Commercial				
Revenues	$ 3,397	$ 22,352	$ 8,706	$ 32,163
Expenses	2,137	6,845	5,517	11,403
Commercial/Industrial operating income	$ 1,260	$ 15,507	$ 3,189	$ 20,760
Plus: Commercial/Industrial depreciation and amortization	108	112	327	341
Plus: General, administrative, cost of sales and other expenses	1,927	6,638	4,824	10,750
Less: Other revenues including land sales	(954)	(20,160)	(2,154)	(26,394)
Total Commercial/Industrial net operating income	**$ 2,341**	**$ 2,097**	**$ 6,186**	**$ 5,457**

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
Net operating income	2023	2022	2023	2022
Pastoria Energy Facility	$ 1,572	$ 1,382	$ 3,997	$ 3,367
TRCC	350	301	947	877
Communication leases	252	254	773	753
Other commercial leases	167	160	469	460
Total Commercial/Industrial net operating income	**$ 2,341**	**$ 2,097**	**$ 6,186**	**$ 5,457**

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2023	2022	2023	2022
Earnings of unconsolidated joint ventures	$ 1,975	$ 3,251	$ 7,856	$ 7,965
Interest expense of unconsolidated joint ventures	2,389	1,416	7,116	3,838
Operating income of unconsolidated joint ventures	4,364	4,667	14,972	11,803
Depreciation and amortization of unconsolidated joint ventures	2,620	2,045	7,578	6,242
Net operating income of unconsolidated joint ventures	$ 6,984	$ 6,712	$ 22,550	$ 18,045

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

The New RLC had no outstanding balance as of September 30, 2023. At our option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% above Term SOFR for interest periods elected by us. During the term of the New RLC (which expires on June 30, 2027), we can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary.

We are exposed to interest rate risk on our long-term debt. Long-term debt consists of two term loans, one of which had a balance of $47,338,000 as of September 30, 2023 and is tied to the daily SOFR plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The outstanding balance on the second term loan as of September 30, 2023 was $1,494,000 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 September 30, 2023
(In thousands except percentage data)

	2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
Assets:								
Marketable securities	$15,941	$13,594	$—	$—	$—	$—	$29,535	$29,456
Weighted average interest rate	4.87%	5.02%	—%	—%	—%	—%	4.94%	
Liabilities:								
Long-term debt ($4.75M note)	$67	$277	$289	$302	$315	$244	$1,494	$1,494
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt ($49.1M note)	$389	$1,589	$1,669	$1,753	$1,840	$40,098	$47,338	$47,338
Weighted average interest rate	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	

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

	2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
Assets:								
Marketable securities	$32,652	$1,000	$—	$—	$—	$—	$33,652	$33,444
Weighted average interest rate	2.82%	5.20%	—%	—%	—%	—%	2.89%	
Liabilities:								
Long-term debt ($4.75M note)	$265	$277	$289	$302	$315	$244	$1,692	$1,692
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt ($49.1M note)	$1,513	$1,589	$1,669	$1,753	$1,840	$40,098	$48,462	$48,462
Weighted average interest rate	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	

Commodity Price Exposure

Farming inventories and accounts receivable are exposed to adverse price fluctuations. Farming inventories consist of farming, cultural, and processing costs associated with crop production. Farming inventory costs are recorded as incurred. Historically, these costs have been recovered through crop sales occurring after harvest. As of the date of this report, there are no receivables that are subject to commodity price fluctuations given that there were no pistachio yields in 2022.

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
(a) None

(b) Not applicable.

(c) None.

Item 6. Exhibits:

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

10.30	Membership Interest Purchase Agreement - Tejon Mountain Village LLC	FN 21
10.31	Amended and Restated Credit Agreement	FN 22
10.32	Term Note	FN 25
10.33	Revolving Line of Credit	FN 36
10.34	Amendments to Lease Agreement with Pastoria Energy Facility L.L.C.	FN 23
10.35	Water Supply Agreement with Pastoria Energy Facility L.L.C.	FN 24
10.37	Limited Liability Company Agreement of TRC-MRC 2, LLC	FN 26
10.38	Limited Liability Company Agreement of TRC-MRC 1, LLC	FN 27
10.39	Centennial Founders LLC, Redemption and Withdrawal Agreement - Lewis Tejon Member, LLC	FN 28
10.40	First Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 29
10.41	Second Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 30
10.42	Limited Liability Company Agreement of TRC-MRC 3, LLC	FN 31
10.43	Fourth Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 32
10.44	Centennial Founders, LLC Redemption and Withdrawal Agreement - CalAtlantic	FN 33
10.45	Amended Revolving Line of Credit	FN 34
10.46	Amended Term Note	FN 35
10.47	*Executive Officer Severance Agreement - Gregory S. Bielli	FN 38
10.48	Limited Liability Company Agreement of TRC-MRC 4, LLC	FN 39
10.49	Settlement Agreement of CEQA litigation with Climate Resolve	FN 40
10.50	Limited Liability Company Agreement of TRC-MRC Multi I, LLC	FN 41
10.51	Limited Liability Company Agreement of TRC-MRC 5, LLC	FN 42
10.52	Credit Agreement Between Tejon Ranchcorp and Bank of America, N.A.	FN 43
10.53	Executive Officer Severance Agreement – Marc Hardy	FN 44
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 3.1 to our Current Report on Form 8-K filed on March 24, 2023, is incorporated herein by reference.

FN 5 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.1 to our Current Report on Form 8-K filed on December 20, 2005, is incorporated herein by reference.

FN 6	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference. This Exhibit was not filed with the Securities and Exchange Commission in an electronic format.
FN 7	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.
FN 8	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.
FN 9	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference
FN 10	This document filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.
FN 11	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.1 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
FN 12	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 4.2 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
FN 13	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibits 10.21-10.23 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.
FN 14	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.24 to our Current Report on Form 8-K filed on May 24, 2006, is incorporated herein by reference.
FN 15	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.28 to our Current Report on Form 8-K filed on June 23, 2008, is incorporated herein by reference.
FN 16	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.25 to our Quarterly Report on Form 10-Q for the period ended June 30, 2009, is incorporated herein by reference.
FN 17	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.26 to our Quarterly Report on Form 10-Q for the period ended March 31, 2013, for the period ended March 31, 2013, is incorporated herein by reference.
FN 18	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.27 to our Current Report on Form 8-K filed on June 4, 2013, is incorporated herein by reference.
FN 19	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2013, is incorporated herein by reference.
FN 20	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.29 to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2013, is incorporated herein by reference.
FN 21	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.30 to our Current Report on Form 8-K filed on July 16, 2014, is incorporated herein by reference.
FN 22	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibits 10.31 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
FN 23	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2014, is incorporated herein by reference.
FN 24	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.35 to our Quarterly Report on Form 10-Q for the period ended June 30, 2015, is incorporated herein by reference.
FN 25	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.32 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
FN 26	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.37 to our Quarterly Report on Form 10-Q for the period ended June 30, 2016, is incorporated herein by reference.
FN 27	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.38 to our Quarterly Report on Form 10-Q for the period ended September 30, 2016, is incorporated herein by reference.

FN 28	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.39 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
FN 29	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.40 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
FN 30	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
FN 31	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.42 to our Quarterly Report on Form 10-Q for the period ended September 30, 2018, is incorporated herein by reference.
FN 32	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.43 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
FN 33	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.44 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
FN 34	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.45 to our Quarterly Report on Form 10-Q for the period ended September 30, 2019, is incorporated herein by reference.
FN 35	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.46 to our Quarterly Report on Form 10-Q for the period ended September 30, 2019, is incorporated herein by reference.
FN 36	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.33 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
FN 37	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 333-231032) as Exhibit 4.6 to our Registration Statement on Form S-3 filed on April 25, 2019, is incorporated herein by reference.
FN 38	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.47 to our Annual Report on Form 10-K for the year ended December 31, 2019, is incorporated herein by reference.
FN 39	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.48 to our Quarterly Report on Form 10-Q for the period ended March 31, 2021, is incorporated herein by reference.
FN 40	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.49 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.
FN 41	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.50 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.
FN 42	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.51 to our Quarterly Report on Form 10-Q for the year ended March 31, 2022, is incorporated herein by reference.
FN 43	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.52 to our Quarterly Report on Form 10-Q for the year ended September 30, 2022, is incorporated herein by reference.
FN 44	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.53 to our Quarterly Report on Form 10-Q for the year ended June 30, 2023, is incorporated herein by reference.

SIGNATURES

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

TEJON RANCH CO.

November 7, 2023	/s/ Gregory S. Bielli
Date	Gregory S. Bielli President and Chief Executive Officer (Principal Executive Officer)
November 7, 2023	/s/ Brett A. Brown
Date	Brett A. Brown Executive Vice President and Chief Financial Officer (Principal Financial Officer)
November 7, 2023	/s/ Robert D. Velasquez
Date	Robert D. Velasquez Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.1

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

I, Gregory S. Bielli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tejon Ranch Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 7, 2023

/s/ Gregory S. Bielli

Gregory S. Bielli
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Brett A. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tejon Ranch Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 7, 2023

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

EXHIBIT 32

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

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

- The Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2023 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

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

Dated: November 7, 2023

/s/ Gregory S. Bielli
Gregory S. Bielli
President and Chief Executive Officer

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