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

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to Commission file number: 1-07183

TEJON RANCH CO.

(Exact name of registrant as specified in its charter)

Delaware	**77-0196136**
(State or other jurisdiction of incorporation or organization.)	(I.R.S. Employer Identification No.)

P.O. Box 1000, Tejon Ranch, California 93243
(Address of principal executive offices) (Zip Code)

(661) 248-3000
(Registrant's telephone number, including area code)

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

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

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

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

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

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

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

Yes ☐ No ☒

The aggregate market value of registrant's Common Stock, par value $.50 per share, held by persons other than those who may be deemed to be affiliates of registrant on June 30, 2021 was $400,690,171 based on the last reported sale price on the New York Stock Exchange as of the close of business on that date.

The number of the Company's outstanding shares of Common Stock on February 28, 2022 was 26,408,316.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders, to be filed within 120 days of the Registrant's fiscal year ended December 31, 2021, relating to the directors and executive officers of the Company are incorporated by reference into Part III.

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PART I

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements, including without limitation, statements regarding strategic alliances, the almond, pistachio and grape industries, the future plantings of permanent crops, future yields, prices, and water availability for our crops and real estate operations, future prices, production and demand for oil and other minerals, future development of our property, future revenue and income of our jointly-owned travel plaza and other joint venture operations, potential losses to the Company as a result of pending environmental proceedings, the adequacy of future cash flows to fund our operations, and of current assets and contracts to meet our water and other commitments, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable and our own outstanding indebtedness, ongoing negotiations, the uncertainties regarding the impact of COVID-19 on the Company, its customers, suppliers, global economic conditions, and other future events and conditions. In some cases, these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "will," "should," "would," "likely," and similar expressions such as "in the process," "designed to," or "envisioned to" In addition, any statements that refer to projections of our future financial performance, our anticipated growth, and trends in our business and other characterizations of future events or circumstances are forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performance and are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, the impact of COVID-19 and the actions taken by governments, businesses, and individuals in response to it, including the development, distribution, efficacy and acceptance of vaccines and related mandates, weather, market and economic forces, availability of financing for land development activities, and competition and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for a number of reasons including those described above and in Part I, Item 1A, "Risk Factors" of this report.

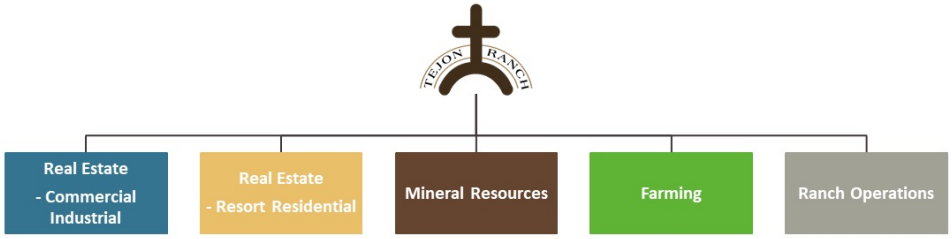
As used in this annual report on Form 10-K, references to the "Company," "Tejon," "TRC," "we," "us," and "our" refer to Tejon Ranch Co. and its consolidated subsidiaries. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes appearing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

ITEM 1. BUSINESS

Company Overview

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

These activities are performed through our five reporting segments:



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

COVID-19

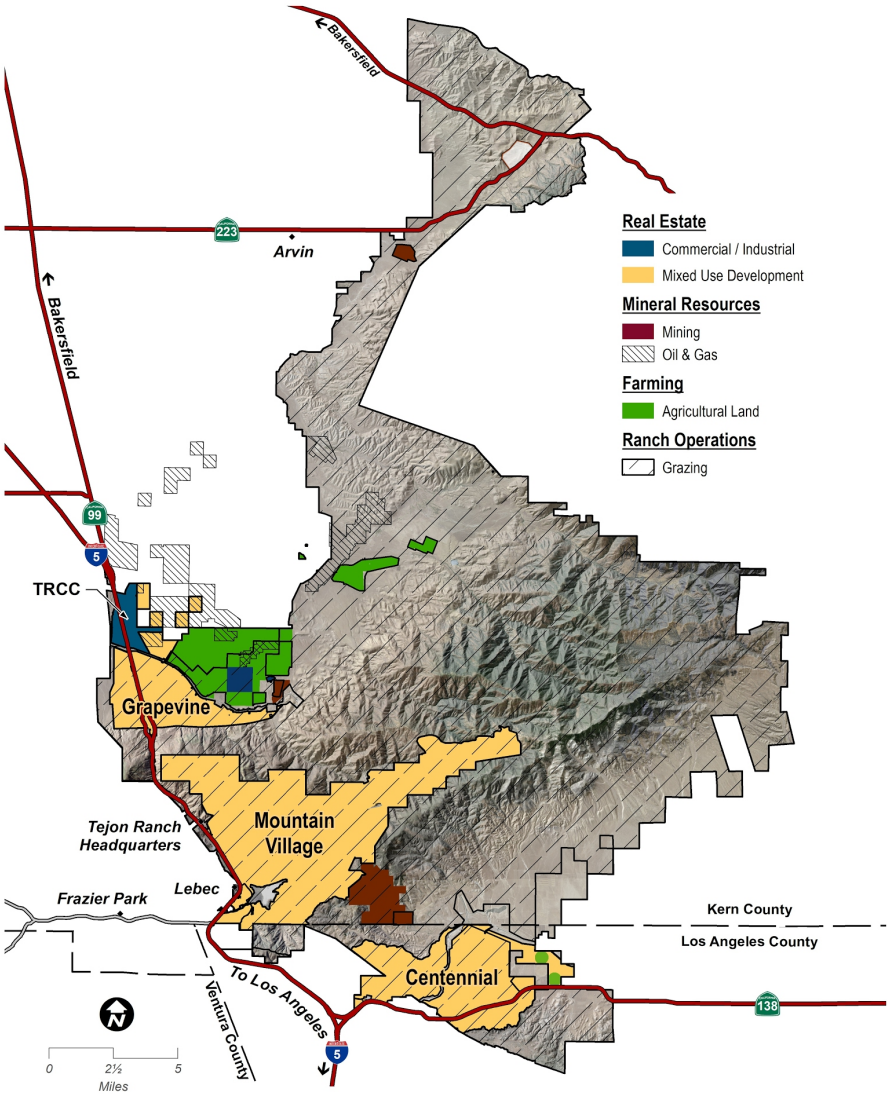
The Company continues to prioritize employee health and provide work safety guidelines prescribed by the state of California and the Occupational Safety and Health Administration. The Company has policies in place that are intended to address the applicable COVID-19 safety requirements as prescribed by the state of California and the Federal Government. The Company's key operating segments continue to operate as normal, while being challenged by the externalities of COVID-19, including forces such as employment shortages, inflation, political uncertainty, and supply chain constraints. Those forces will have an adverse affect on the Company's future operating results and will continue to do so until future variants become less virulent.

Business Objectives and Strategies

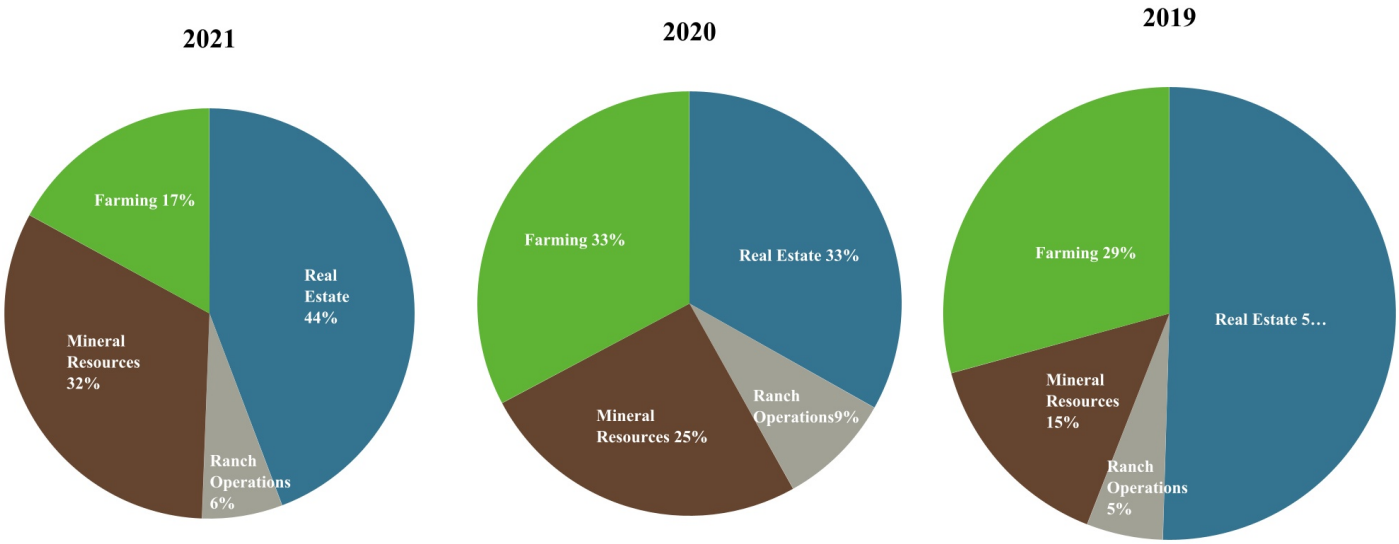
Our primary business objective is to maximize long-term shareholder value through the monetization of our land-based assets. A key element of our strategy is to entitle and then develop large-scale mixed-use master planned residential and commercial/industrial real estate projects to serve the growing populations of Southern and Central California. Our mixed-use master planned residential developments have been approved to collectively include up to 35,278 housing units, and more than 35 million square feet of commercial space. We have obtained entitlements on Mountain Village at Tejon Ranch, or MV, and the first final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses was approved by Kern County in 2021. In 2019, the Kern County Board of Supervisors unanimously reapproved the Grapevine at Tejon Ranch project, or Grapevine. Centennial, at Tejon Ranch, or Centennial, had entitlements approved in 2018, and received legislative approvals in 2019 from the Los Angeles County Board of Supervisors. The approvals were litigated in May 2021, and the Company is currently working on addressing the objections to the project.

We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our fully operational commercial/industrial center Tejon Ranch Commerce Center, or TRCC. In January 2021, the Kern County Board of Supervisors approved two Conditional Use Permits, authorizing development of multi-family apartment uses within the Tejon Ranch Commerce Center, on a 27-acre site located immediately north of the Outlets at Tejon. This authorization allows the Company to develop up to a maximum of 495 multi-family residences, in thirteen apartment buildings, as well as approximately 6,500 square feet of community amenity space and up to 8,000 square feet of community serving retail on the ground floor of a portion of the residential buildings. All of these efforts are supported by diverse revenue streams generated from other operations including: farming, mineral resources, and our various joint ventures.

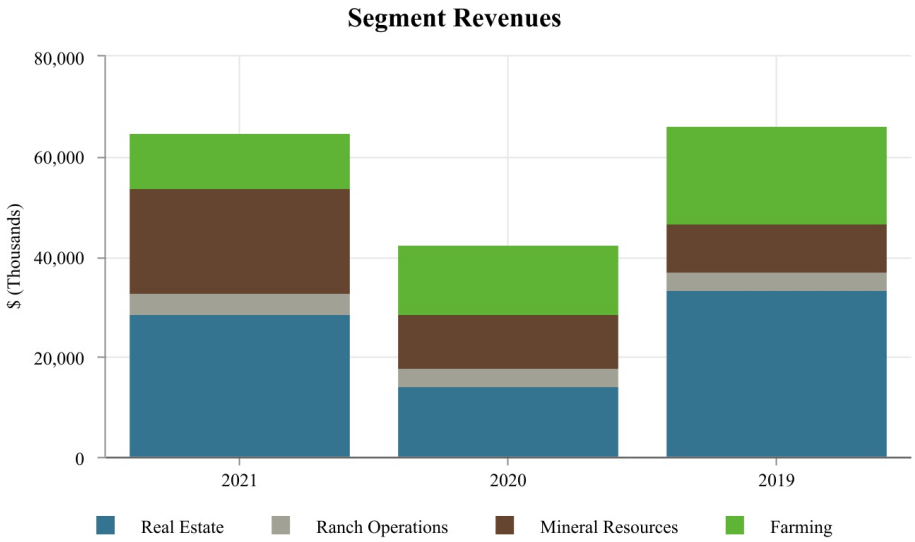
MASTER LAND USE PLAN

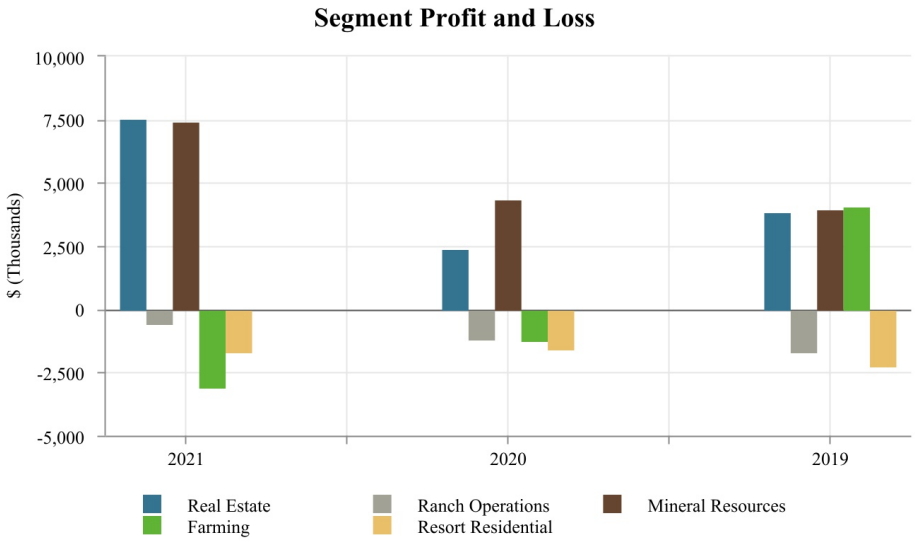


Percentage of Total Revenue[1,2] by Segment:



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





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

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

FINANCIAL INFORMATION ABOUT SEGMENTS
(Amounts in thousands of dollars)

	Year Ended December 31,		
	2021	2020	2019
Revenues and Other Income			
Real Estate—Commercial/Industrial	$ 19,476	$ 9,536	$ 16,792
Mineral Resources	20,987	10,736	9,791
Farming	11,039	13,866	19,331
Ranch operations	4,111	3,692	3,609
Segment revenues	55,613	37,830	49,523
Investment income	57	884	1,239
Revenues and other income	55,670	38,714	50,762
Equity in earnings of unconsolidated joint ventures	9,202	4,504	16,575
Total revenues and other income [1]	$ 64,872	$ 43,218	$ 67,337
Segment Profits (Losses) and Net Income			
Real Estate—Commercial/Industrial	$ 7,523	$ 2,414	$ 3,831
Real Estate—Resort/Residential	(1,723)	(1,612)	(2,247)
Mineral Resources	7,428	4,322	3,973
Farming	(3,077)	(1,237)	4,080
Ranch operations	(568)	(1,204)	(1,707)
Segment profits [2]	9,583	2,683	7,930
Gain on sale of real estate	—	1,331	—
Investment income	57	884	1,239
Other income (loss)	164	110	(1,824)
Corporate expenses	(9,843)	(9,430)	(9,361)
Loss from operations before equity in earnings of unconsolidated joint ventures	(39)	(4,422)	(2,016)
Equity in earnings of unconsolidated joint ventures	9,202	4,504	16,575
Income before income taxes	9,163	82	14,559
Income tax expense	3,821	829	3,980
Net income (loss)	5,342	(747)	10,579
Net loss attributable to non-controlling interest	(6)	(7)	(1)
Net income (loss) attributable to common stockholders	$ 5,348	$ (740)	$ 10,580
Identifiable Assets by Segment [3]			
Real estate—commercial/industrial	$ 82,397	$ 73,317	$ 76,814
Real estate—resort/residential	305,818	297,052	286,801
Mineral Resources	52,440	57,797	55,049
Farming	47,160	38,090	41,258
Ranch operations	2,079	2,442	2,624
Corporate	56,142	67,651	76,876
Total assets	$ 546,036	$ 536,349	$ 539,422

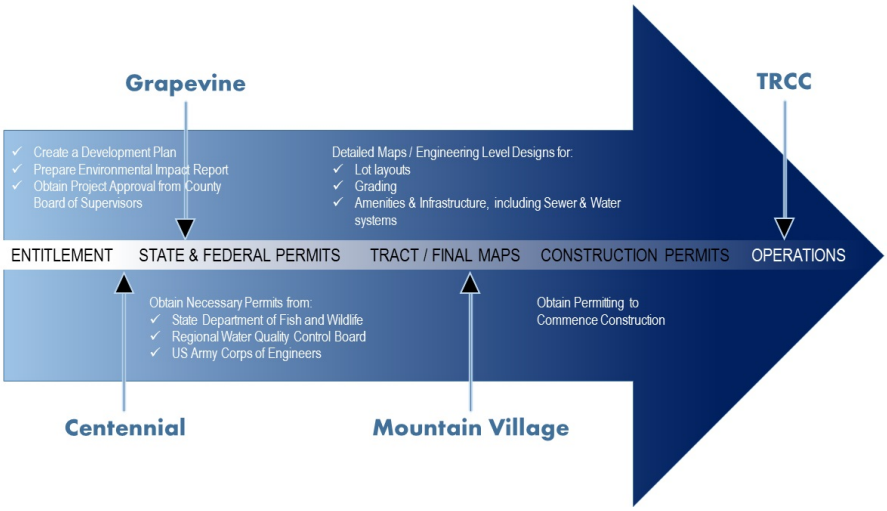
(1) Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional detail on segment revenues.
(2) Segment profits are revenues less operating expenses, excluding investment income and expense, corporate expenses, equity in earnings of unconsolidated joint ventures, and income taxes.
(3) Total Assets by Segment include both assets directly identified with those operations and an allocable share of jointly used assets. Corporate assets consist of cash and cash equivalents, refundable and deferred income taxes, land, buildings, and improvements.

Real Estate Development Overview

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

Interstate 5, one of the nation's most heavily traveled freeways, brings in excess of 88,000 vehicles per day through our land, which includes 16 miles of Interstate 5 frontage on each side of the freeway and the commercial land surrounding three interchanges. The strategic plan for real estate focuses on development opportunities along the Interstate 5 and Highway 138 corridors, which includes TRCC in Kern County, Centennial, a mixed-use master planned community on our land in Los Angeles County, MV, a resort and residential community in Kern County, and Grapevine, a mixed-use master planned community on our land in Kern County. TRCC includes developments east and west of Interstate 5 at TRCC-East and TRCC-West, respectively.

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



Operating Segments

Real Estate - Commercial/Industrial

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

At the heart of our real estate commercial/industrial segment is TRCC, a 20 million square foot commercial/industrial development on Interstate 5 just north of the Los Angeles basin. The greater Los Angeles industrial market is the largest in the United States, totaling 1.67 billion square feet. It has been characterized by some of the highest asking rents and lowest vacancy rates of any market in the nation. The Ports of Los Angeles and Long Beach are the primary industrial drivers and are responsible for 40% of all inbound containers into the U.S.

As of December 31, 2021, our industrial portfolio, through our joint venture partnerships, consisted of 1.7 million square feet of gross leasable area (GLA) and our TRCC commercial portfolio consisted of 575,401 square feet of GLA. As of December 31, 2021, our industrial portfolio was 100% leased and our commercial portfolio was 88.5% leased. Substantially all of our tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property expenses including property taxes, insurance, and maintenance.

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

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

Recent Developments

For a discussion of business developments that occurred in 2021, see “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” later in this report. Certain summarized highlights are contained below.

Construction

During the first quarter of 2021, we formed TRC-MRC 4 LLC, a joint venture with Majestic Realty Co., or Majestic, a Los Angeles-based commercial industrial developer, to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. Construction of the building has begun with completion expected in 2022. Due to the recent successes of speculative development and the continued growth of industrial and e-commerce fulfillment centers, the TRC-MRC 4 project is positioned to be an attractive alternative for tenants from considering both the Inland Empire Region of Southern California and the Santa Clarita Valley area of Los Angeles.

Land Sales

During the fourth quarter of 2021, the Company sold 17.1 acres of land to Scannell Properties for $4,655,000. Scannell is planning to build a 270,000-square-foot manufacturing complex on the site. The site will be leased by Plant Prefab, a prefab and modular construction firm that specializes in housing.

From a joint venture standpoint, during the first quarter of 2021, the Company contributed land at a fair value of $8,464,000 to TRC-MRC 4 LLC and realized land sale profit of $2,785,000. Additionally, the 18-19 West LLC joint venture had a purchase option in place with a third-party to purchase lots l8 and 19 at a price of $15,213,000. In November 2021, the third-party exercised the land option and purchased the land from the joint venture.

Investments

Leasing

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

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

The following table summarizes information with respect to lease expirations for our consolidated entities as of December 31, 2021.

Year of Lease Expiration	Number of Expiring Leases	RSF of Expiring Leases	Annualized Base Rent[1]	Percentage of Annual Minimum Rent
2022	6	47,614	$391	6.21%
2023	5	4,640	$396	6.29%
2024	—	—	$—	—%
2025	5	60,208	$562	8.93%
2026	8	65,367	$503	7.99%
2027	—	—	$—	—%
2028[2]	1	—	$15	0.24%
2029[3]	1	1,394,000	$3,931	62.46%
2030[2]	1	—	$22	0.35%
2031	—	—	$—	—%
2032	1	3,750	$133	2.11%
Thereafter	3	189,457	$341	5.42%

1 - Annualized base rent is calculated as monthly base rent (cash basis) per the lease, as of the reporting period, multiplied by 12. Annualized base rent shown in thousands.
2 - This lease pertains to a communication lease that does not have defined rentable square feet.
3 - This amount includes 32 acres of the PEF ground lease.

For the year ended December 31, 2021, we had one lease renewal and one lease expiration This expiration represented less than 5% of annualized base rent.

Rental Payments Update in Light of COVID-19

We received all deferred rental payments subject to deferral agreements entered into with our tenants during the COVID-19 pandemic.

Joint Ventures

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

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

We are involved in five joint ventures with Majestic to develop, lease, manage, and/or acquire industrial buildings within TRCC. These joint ventures currently operate three industrial buildings occupying over 1.7 million rentable square feet, and have a 630,000 square feet industrial building under construction. During the first quarter of 2022, we finalized our fifth joint venture with Majestic for the development, leasing and management of a multi-family development within TRCC-East. This will be the first residential development for the Company.

We are involved in two joint ventures with Rockefeller Development Group (RDG). The two joint ventures are: (1) 18-19 West LLC and (2) TRCC/Rock Outlet Center LLC, which operates the Outlets at Tejon. Our 18-19 joint venture sold its land to a third-party during the fourth quarter of 2021 for $15.2 million, and this joint venture is expected to be dissolved in 2022.

TRCC Residential

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

On February 16, 2022, we formed TRC-MRC Multi I, LLC with Majestic for the development, leasing and management of this multi-family residential community.

TRCC Entitlements

The following is a summary of the Company's commercial, retail and industrial real estate developments as of December 31, 2021:

($ in thousands)

Project	Cost to Date	Estimated Cost to Complete	Total Estimated Cost at Completion	Estimated Completion Date
Tejon Ranch Commerce Center	$ 91,710	$ 69,772	$ 161,482	TBD
Less: Reimbursements from TRPFFA[1]	77,003	49,615	126,618	TBD
TRCC Development Costs, net	$ 14,707	$ 20,157	$ 34,864	

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

The following table summarizes total entitlements for TRCC as of December 31, 2021:

(in square feet)	Industrial	Commercial Retail
Total entitlements received	19,300,941	956,309
Total entitlements used	5,925,943	637,695
Entitlements available	13,374,998	318,614

TEJON RANCH
COMMERCE CENTER

Master Land Use Plan

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

Commercial/industrial Real Estate Development Market Overview

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

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

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

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

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

During the quarter ended December 31, 2021, vacancy rates in the Inland Empire dropped to a historical low of 0.5%, leading to a year-over-year increase in lease rate of 44%, both setting new records. Demand for Inland Empire logistics space continues to be strong, as annual absorption reached 29.1 million square feet. As lease rates increase in the Inland Empire, we may experience greater pricing advantages due to our lower land basis.

During the quarter ended December 31, 2021, vacancy rates in the northern Los Angeles industrial market, which includes the San Fernando Valley and Santa Clarita Valley, decreased to a historical low of 0.6%. Rents remain at an all-time high. Average asking rents increased by 9.6% over the prior quarter.

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

Real Estate - Resort/Residential

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

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

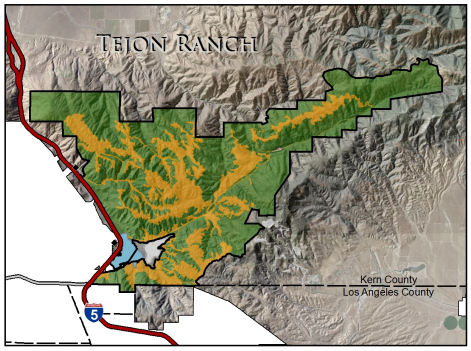
The entitlement process precedes the regulatory approvals necessary for land development and routinely takes several years to complete. The Conservation Agreement we entered into with five major environmental organizations in 2008 is designed to minimize opposition from environmental groups to these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

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

TEJON RANCH COMPANY
Building the Legacy

DEVELOPMENT PROJECTS

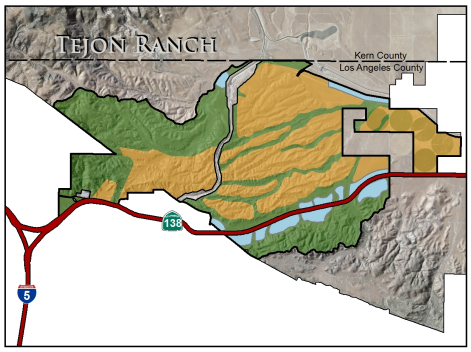
Mixed Use Development | Commercial / Industrial | Project Open Space



MOUNTAIN VILLAGE

Kern County

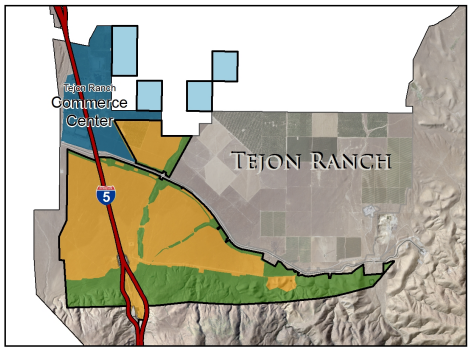
Project Area	26,417	ac
Acres to be Developed	5,082	ac
Open Space	21,335	ac
Dwelling Units	3,450	du
Commercial Development	160,000	sf
Lodging Units	750	keys



CENTENNIAL

Los Angeles County

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



GRAPEVINE

Kern County

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

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

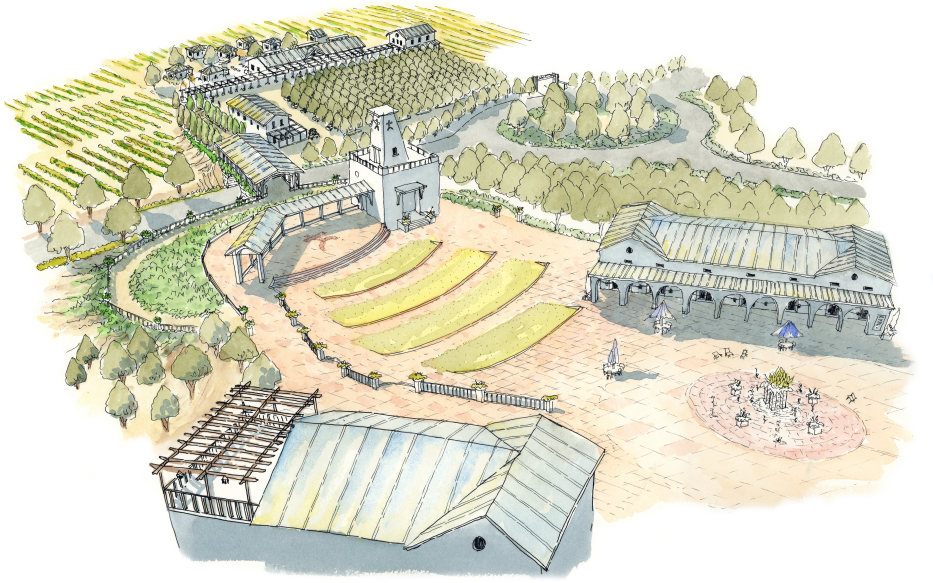
Mountain Village at Tejon Ranch:

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

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

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

Centennial at Tejon Ranch:



The Centennial development is a mixed-use master planned community development encompassing 12,323 acres of our land within Los Angeles County. Centennial is entitled for 19,333 housing units, including nearly 3,500 affordable units, and 10.1 million square feet of commercial development. Centennial will incorporate business districts, schools, retail and entertainment centers, medical facilities and other commercial office and light industrial businesses that, when complete, will create a substantial number of jobs. The project is being developed by Centennial Founders, LLC, a consolidated joint venture in which we have a 93.03% ownership interest as of December 31, 2021. Centennial is envisioned to be an ecologically friendly community that will achieve a jobs-housing balance.

In 2018, the Los Angeles County Board of Supervisors took action to approve the Specific Plan and 30 year Development Agreement for Centennial by a vote of 4-1. In 2019, the Los Angeles County Board of Supervisors' affirmed their final approval of Centennial project, and Climate Resolve and CBD/California Native Plant Society (CNPS) separately filed actions in Los Angeles Superior Court objecting to the Centennial project. In 2021, the court issued its decision denying the petition for writ of mandate by CBD/CNPS and granting the petition for writ of mandate filed by Climate Resolve. On November 30, 2021, the Company together with Ranchcorp and Centennial entered into a Settlement Agreement with Climate Resolve. The Company is currently working on addressing CBD's objection to the project, and the Los Angeles County Superior Court has set a tentative hearing date of February 25, 2022 concerning the entry of a final judgment and awarding of appropriate remedies. Upon mutual request of the Parties and approval by the Court, the February 25,2022 hearing date has been extended to March 30, 2022. See Note 14 (Commitments and Contingencies) of the Notes to Consolidated Financial Statement for further discussion.

Grapevine at Tejon Ranch:

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

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

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

The following is a summary of the Company's residential real estate developments as of December 31, 2021:

Community: **Location:** **Project Status[1]:**	**Mountain Village** **Kern County** **Entitled**	**Grapevine** **Kern County** **Entitled**	**Centennial** **Los Angeles County** **Entitled**	**Resort** **Residential** **Total**
Entitlement Area (acres):	26,417	8,010	12,323	46,750
Housing Units:	3,450	12,000	19,333	34,783
Commercial Development (sqft)[2]:	160,000	5,100,000	10,100,000	15,360,000
Open Areas (acres):	21,335	3,367	5,624	30,326
Costs to Date[3]:	$150,668	$37,922	$112,063	$300,653

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

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

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

Mineral Resources

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

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

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

We lease certain portions of our land to oil companies for the exploration and production of oil and gas. We however do not engage in any oil exploration or extraction activities. As of December 31, 2021, 10,332 acres were committed to producing oil and gas leases from which the operators produced and sold approximately 75,006 barrels of oil and 64,000 MCF (each MCF being 1,000 cubic feet) of dry gas during 2021. Our share of production, based upon average royalty rates during the last three years, has been 29, 37, and 78 barrels of oil per day for 2021, 2020, and 2019, respectively. There are 310 active oil wells located on the leased land as of December 31, 2021. Royalty rates on our leases averaged approximately 14% of oil production in 2021.

The price per barrel of oil has increased over 52% from December 31, 2020 levels. California Resources Corporation, or CRC, our largest oil royalty tenant, emerged from bankruptcy in 2020 and returned 13 wells into production in 2021, with the expectation of returning more wells into production in the near future. We expect to begin to see the impact of these actions throughout 2022. Prices for oil, natural gas fluctuate in response to relatively minor changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, such as: changes in domestic and global supply and demand, domestic and global inventory levels, and political and economic conditions, including international disputes such as current conflicts in Eastern Europe.

We have approximately 2,000 acres under lease to National, for the purpose of manufacturing Portland cement from limestone deposits found on the leased acreage. National owns and operates a cement manufacturing plant on our property with a production capacity in excess of 1,000,000 tons of cement per year. The amount of payment that we receive under the lease is based upon shipments from the cement plant. In 2021, payments increased due to an increase in production stemming from an increase in regional construction. The term of this lease expires in 2026, but National has options to extend the term for successive periods of 20 and 19 years. Proceedings under environmental laws relating to the cement plant are in process. The Company is indemnified by the current and former tenants, and at this time, we have no cost related to the issues at the cement plant. See Item 3, “Legal Proceedings,” for a further discussion.

We also lease 521 acres to Granite Construction and Griffith Construction for the mining of rock and aggregate product that is used in construction of roads and bridges. The royalty revenues we receive under this arrangement are based upon the amount of product produced at these sites.

Water sales opportunities for 2022 will depend on rain and snowfall volume along with California State Water Project, or SWP, allocations. As of December 31, 2021, the 2022 SWP allocation is at 15% of contract amounts.

In 2015, we entered into a water sale agreement with PEF, our current lessee under a power plant lease. PEF may purchase from us up to 3,500 acre feet of water per year through July 2030, with an option to extend the term. PEF is under no obligation to purchase water from us in any given year, but is required to pay us an annual option payment equal to 30% of the maximum annual payment. The price of the water under the agreement is $1,188 per acre-foot, subject to 3% annual increases for the duration of the lease agreement. The Company's commitments to sell this water can be met through current water sources.

Farming Operations

In the San Joaquin Valley, we farm permanent crops including the following acreage: wine grapes— 1,036 (835 in production and 201 not in production); almonds—2,262 (1,377 in production and 885 not in production); and pistachios—1,053 (all in production). We manage the farming of alfalfa and forage mix on 626 acres in the Antelope Valley, and we periodically lease 530 acres of land that is used for the growing of vegetables but also can be used for the development of permanent crops such as almonds.

Almond, pistachio, and wine grape crop sales are highly seasonal with most of our sales occurring during the third and fourth quarters. Pricing for nut and grape crops are particularly sensitive to the size of each year’s world crop and demand for those crops. The U.S. almond industry projects 2021 yields to be about 2.8 billion pounds compared to 3.1 billion pounds during the previous year. Pistachios for the 2021 crop year are expected to be approximately 1.2 billion pounds compared to 1.1 billion pounds during the previous year. Yields for the Company's 2021 almond and wine grape crops have been comparable with prior year's thus far, while pistachio yields have seen a drastic improvement. Tariffs from China and India, which are major customers of almonds and pistachios, can make American products less competitive and push customers to switch to another producing country.

Although extended Federal unemployment benefits implemented during the COVID-19 pandemic have ended, the Company and the industry as a whole, continues to experience challenges with attracting and retaining farm workers. The Company expects this trend to continue over the foreseeable future and plans to utilize external labor contractors as necessary, which will likely result in an increase in overall labor costs. The Company is unable to determine the duration of these labor shortages that the Company expects to experience.

From a broader inflationary standpoint, the Company is seeing and will continue to see an increase in costs, most notably chemicals such as herbicides and pesticides that are needed to grow crops.

Because a majority of the Company's almonds are sold to customers in India and China, we continue to experience delays in our almond sales due to the disruption in the global supply chain network. In particular, a shortage of truck drivers needed
to transport goods to the Los Angeles and Long Beach ports and shortages in food grade shipping containers continues to hinder our ability to ship our almonds overseas. The industry expects this trend to continue into 2022.

Sales of our grape crop typically occur in the third and fourth quarters of the calendar year. Sales of our pistachio and almond crops also typically occur in the third and fourth quarters of the calendar year, but can occur up to a year or more after each crop is harvested. In 2021, we sold 48% of our grape crop to one winery, 31% to a second winery and the remainder to two other customers. These sales are under contracts ranging from one to eight years. In 2021, our almonds were sold to various commercial buyers, with the largest buyer accounting for 32% of our crop. We sold pistachios to three customers with the largest accounting for 73% of our crop. We do not believe that we would be adversely affected by the loss of any or all of these buyers because of the markets for these commodities, the large number of buyers that would be available to us, and the fact that the prices for these commodities do not vary based on the identity of the buyer or the size of the contract.

Weather conditions could impact the number of tree and vine dormant hours, which are integral to tree and vine growth. We will not know the impact of current weather conditions on 2022 production until the early summer of 2022.

At this time the State Department of Water Resources has announced that the estimated water supply for 2022 will be at 15% of full entitlement. This allocation may change based upon the number of winter storms. The current 15% allocation of SWP water alone is not enough for us to farm our crops, but our additional water resources, such as groundwater and surface sources, and those of the water districts we are in, should allow us to have sufficient water for our farming needs. It is too early in the year to determine the impact of 2022 water supplies and its impact on 2022 California crop production for almonds, pistachios,

and wine grapes. See discussion of water contract entitlement and long-term outlook for water supply under Item 2, “Properties.” Also see Note 6. (Long-Term Water Assets) of the Notes to Consolidated Financial Statements for additional information regarding our water assets.

Ranch Operations

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

Approximately 256,000 acres are used for two grazing leases, which account for 33% of total revenues from ranch operations at December 31, 2021.

Game management offers a wide variety of guided big game hunts, including trophy Rocky Mountain elk, deer, turkey and wild pig. We offer guided hunts and memberships for both the Spring and Fall hunting seasons. At December 31, 2021, game management accounts for 39% of the total revenue from ranch operations.

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

General Environmental Regulation

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

Environmental Sustainability

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

Climate Change

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

- Since 2008, the Company has voluntarily conserved 240,000 acres of its land covered by trees and other vegetation. A recent analysis conducted for the Company by Dudek Environmental Service's determined that this acreage effectively sequesters 3.3 million tons of carbon. That equals the volume of carbon produced in a single year by 2.5 million passenger vehicles-10% of California’s 2019 passenger vehicle fleet.
- Solar power is used significantly within TRCC. For example, in 2019 the Company installed a solar covered parking structure at the Outlets at Tejon. The structure covers 1.85 acres and is projected to offset 83% of the center’s electricity needs for shared spaces and produce 1,076,000 kWh of clean energy every year. In addition, the IKEA distribution center at TRCC features a 1.8 MW photovoltaic solar array covering 370,000 square feet of the warehouse’s rooftop. The system handles the power needs of IKEA’s distribution center and provides power into the electric grid as well.
- The Company has entered into a lease with Calpine Energy, a power generating company, for the development of a 600-acre industrial-sized solar field. Located immediately adjacent to Calpine’s PEF, a natural gas and steam powered generating plant in the San Joaquin Valley portion of the Ranch, the solar array is expected to produce approximately 100 MW of power once fully operational.
- The Company’s master planned mixed-use residential communities are designed with a jobs housing balance that will locate housing near employment centers, reducing commuting miles and emissions. Centennial is designed to be a net zero carbon community, completely mitigating projected carbon emissions through a combination of on-site and on-ranch carbon reduction measures, and off-Ranch credited carbon reductions. These measures include encouraging and

facilitating the use of emission-free electric vehicles through vehicle purchase incentives and the installation of 30,000 EV chargers located within both residential and commercial sections of the community, at TRCC, and within disadvantaged communities in Southern California. At Centennial, at least 50% of the energy supply is intended to be produced by on-site renewable sources, and natural gas use in the community will be limited to essential commercial uses only, significantly reducing emissions from residential and commercial natural gas.

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

Air Quality

- The Company has contracted with the San Joaquin Valley Unified Air Pollution Control District ("SJVUAPCD") to pre-mitigate air emissions related to the Company's current development at TRCC-East and future development at Mountain Village and Grapevine. As of 2021, the SJVUAPCD had fully offset current air emissions at TRCC-East, as well as future emissions projected to occur through full build-out of the project. For Mountain Village, the Company has funded the replacement of outdated agricultural engines to provide emissions mitigation for the initial phase of development.
- Nearly two decades ago, the Company helped establish and has continuously supported Valley Clean Air Now ("VCAN"), a non-profit, 501(c)(3) public charity that advances quantifiable and voluntary solutions addressing air pollution in California's San Joaquin Valley, a region with some of the worst air quality and highest poverty levels in the United States. The Company continues to support VCAN in its mission to improve public health and quality of life in disadvantaged communities located in the region.
    - VCAN's programs deliver $850 smog repair vouchers and $9,500 in down payment incentives to low-income residents in the region so they can replace high-polluting vehicles with used plug-in or hybrid cars.
    - In the past five years, VCAN has helped more than 35,000 households improve their vehicle emissions by completing over 20,000 smog repairs and providing more than 26,000 smog repair vouchers. Additionally, VCAN's vehicle replacement program has delivered more than 2,000 plug-in electric vehicles. Based on pre- and post-repair emission capture readings, VCAN's vehicle repair and replacement work has reduced oxides of nitrogen (also known as "NOx") by 692 tons, carbon monoxide by 71 tons, and hydro-carbon emissions by 90 tons.

Water Conservation

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

Customers

Our PEF power plant lease accounted for 8% of total revenues in 2021, 12% in 2020 and 9% in 2019. No other customer represents 5% or more of our revenues in 2021, 2020 and 2019.

Organization

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

Human Capital

At December 31, 2021, we had 90 full-time employees. We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. To attract and retain top talent, we have designed our compensation and benefits programs to provide a balanced and effective reward structure. Our short and long-term incentive programs are aligned with key business objectives and are intended to motivate strong performance. Our employees are eligible for medical, dental and vision insurance, a 401(k) savings/retirement plan, employer-provided life and disability insurance and an array of voluntary benefits designed to meet individual needs. We have adopted a Compliance with State and Federal Statutes, Rules and Regulations Reporting Policy that applies to all of our employees. Its receipt and review by each employee is documented and verified quarterly. None of our employees are covered by a collective bargaining agreement.

Reports

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

Information about our Executive Officers

The following table shows each of our executive officers and the offices held as of March 3, 2022, the period the offices have been held, and the age of the executive officer.

Name	Office	Held since	Age
Gregory S. Bielli	President and Chief Executive Officer, Director	2013	61
Allen E. Lyda	Executive Vice President and Chief Operating Officer	2019	64
Hugh McMahon	Executive Vice President, Real Estate	2014	55
Robert D. Velasquez	Senior Vice President, Chief Financial Officer	2019	55
Marc W. Hardy	Senior Vice President & General Counsel	2021	52

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

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

Mr. Lyda has been employed by us since 1990, initially serving as Vice President, Finance and Treasurer. He was elected Assistant Secretary in 1995 and Chief Financial Officer in 1999. Mr. Lyda was promoted to Senior Vice President in 2008, and Executive Vice President in 2012. Mr. Lyda's title was subsequently changed in 2013 to Executive Vice President and Chief Financial Officer to more accurately describe the responsibilities of his office. On January 1, 2019, he was appointed to the role of Chief Operating Officer and ceased serving as the Company's Chief Financial Officer.

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

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

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

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing the Company. If any of the following risks occur, our business, financial condition, results of operations or future prospects could be materially adversely affected. Our strategy, focused on more aggressive development of our land, involves significant risk and could result in operating losses. The risks that we describe in our public filings are not the only risks that we face. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, also may materially adversely affect our business, financial condition, and results of operations. In addition to the effects of the COVID-19 pandemic and resulting global disruptions on our business and operations discussed in Item 7 of this Form 10-K and in the risk factors below, additional or unforeseen effects from the pandemic and the global economic climate may give rise to or amplify many of these risks discussed below.

STRATEGIC RISKS

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

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

Higher interest rates and lack of available financing can have significant impacts on the real estate industry. Higher interest rates generally impact the real estate industry by making it harder for buyers to qualify for financing, which can lead to a decrease in the demand for residential, commercial or industrial sites. Any decrease in demand will negatively impact our proposed developments. Lack of available credit to finance real estate purchases can also negatively impact demand. Any downturn in the economy or consumer confidence can also be expected to result in reduced housing demand and slower industrial development, which would negatively impact the demand for land we are developing.

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

jurisdictions governing the Company's land use, our future real estate development activities could be significantly adversely affected.

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

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

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

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

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

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

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

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

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

OPERATIONAL RISKS

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

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

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

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

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

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

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

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

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

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

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

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

Our future revenue and profitability related to our water resources will primarily be dependent on our ability to acquire and sell water assets. In light of the fact that our water resources represent a portion of our overall business at present, our long-term profitability will be affected by various factors, including the availability and timing of water resource acquisitions, regulatory approvals and permits associated with such acquisitions, transportation arrangements, and changing technology. We may also encounter unforeseen technical or other difficulties which could result in cost increases with respect to our water resources. Moreover, our profitability is significantly affected by changes in the market price of water. Future sales and prices of water may fluctuate widely as demand is affected by climatic, economic, demographic and technological factors as well as the relative strength of the residential, commercial, financial, and industrial real estate markets. The factors described above are not within our control.

Natural and man-made disasters, public health crises, political instability, and other potentially catastrophic events may have an adverse impact on our business and operating results and could decrease the value of our assets. Natural and man-made disasters, public health crises, political instability, and other potentially catastrophic events including terrorist attacks, particularly those that may cause a decline in global economic activity could have a material adverse impact on our business, our operating results, and the market price of our common stock. Catastrophic events occurring anywhere in the world may result in declining economic activity, which could reduce the demand for and the value of our properties. To the extent that

catastrophic events impact our client tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their lease obligations. Disruptions to the global economy can also impact demand for and the prices of our products, which could adversely affect our future cash flow and results of operations.

Our results of operation have been and may continue to be adversely affected by the ongoing COVID-19 pandemic. In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic. This outbreak, which spread widely throughout the United States and to all other regions of the world, prompted federal, state and local governmental authorities in the United States to declare states of emergency and institute preventative measures to contain and/or mitigate the public health effects. These preventative measures, which included quarantines, shelter-in-place orders and similar mandates that substantially restrict daily activities for many individuals, as well as orders calling for the closure and/or curtailment of operations for many businesses, continue to cause significant disruption to businesses in affected areas, as well as the financial markets both globally and in the United States, more broadly.

On a broader scale, we may also be materially and adversely affected by the disruptions to U.S. and local economies that result from the COVID-19 pandemic, including reduced consumer confidence, unemployment levels, inflation and fluctuating interest rates. The possibility of a prolonged recession or economic downturn could result in, among other things, a decrease in demand and consumer goods; diminished value of our real estate investments, including potential impairments.

Ultimately, the prolonged effects of the COVID-19 pandemic on our business and results of operation, which are highly uncertain and cannot be predicted, will depend upon future developments, including the widespread acceptance and dissemination of vaccines amongst the broader population; the duration and severity of existing social distancing and shelter-in-place orders even after vaccines are widespread and available; the continuation of higher costs in certain areas such as front-line employee compensation, as well as incremental costs associated with newly added health screenings, temperature checks and enhanced cleaning and sanitation protocols to protect our employees, which we expect could continue or could increase in these or other areas; further mitigation strategies taken by applicable government authorities; adequate treatments and the prevalence of widespread immunity to COVID-19; the impacts on our supply chain; the health of our employees, service providers and trade partners; and the reactions of U.S. and global markets and their effects on consumer confidence and spending. Such adverse effects, however, may also include decreases in: oil prices, commodity prices, and traffic, which our commerce center is highly dependent on.

These and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risk factors disclosed in this Annual Report on Form 10-K. The ultimate impact depends on the severity and duration of the current COVID-19 pandemic, including any resurgences or spread of any variants, and actions taken by governmental authorities and other third parties in response, each of which is uncertain, rapidly changing and difficult to predict. Any of these disruptions could adversely impact our business and results of operations.

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

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

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

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

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

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

FINANCIAL RISKS

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

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

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

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

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

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

Our credit facility contains financial covenants requiring the maintenance of a maximum total liabilities to tangible net worth not greater than .75 to 1 at each quarter end, a debt service coverage ratio not less than 1.25 to 1.00, and a minimum level of liquidity of $20,000,000, including any unused portion of our revolving credit facility. A failure to comply with these requirements could allow the lending bank to terminate the availability of funds under our revolving credit facility and/or cause any outstanding borrowings to become due and payable prior to maturity.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest expense related to outstanding debt. From time to time, we utilize interest rate hedge agreements to manage a portion of our exposure to variable interest rates. Historically, our interest rate hedge agreements primarily related to our borrowings with variable interest rates based on LIBOR.

However, in 2017, the Financial Conduct Authority announced that it would phase out LIBOR as a benchmark by the end of 2021, which was subsequently extended to June 30, 2023 for the overnight and one-, three-, six-, and twelve-month USD LIBOR. These decisions are subject to consultation, and announcements of the official cessation of any LIBOR settings will be made separately.

At or prior to the cessation of LIBOR on June 30, 2023, we may need to amend our credit facility with our lender to be based on the alternative rate that is established, if any, as a factor in determining the interest rate. The transition to an alternative rate will require careful and deliberate consideration and implementation so as to not disrupt the stability of financial markets. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations, financial condition, and stock price. If we are unable to transition our contract to an alternative variable rate prior to the discontinuation of LIBOR, we may be unable to utilize our credit facility.

The transition to SOFR may present challenges, including, but not limited to, the illiquidity of SOFR derivatives markets, which could make it difficult for financial institutions to offer SOFR-based debt products, the determination of the spread adjustment required to convert LIBOR to SOFR (and the related determination of a term structure with different maturities), the greater volatility of SOFR compared to that of LIBOR, and that such transition may require substantial negotiations with counterparties. Although daily pricing resets for SOFR have been noted to be more volatile than that of LIBOR, especially at month end, there is no sufficient evidence to establish how SOFR volatility compares to that of LIBOR. Whether or not SOFR attains market acceptance as a LIBOR replacement tool remains in question. As such, the future of LIBOR and potential alternatives at this time remains uncertain.

MARKET RISKS

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

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

Concentrated ownership of our Common Stock creates a risk of sudden change in our share price. As of March 3, 2022, directors and members of our executive management team beneficially owned or controlled approximately 21.9% of our Common Stock. Investors who purchase our Common Stock may be subject to certain risks due to the concentrated ownership of our Common Stock. The sale by any of our large shareholders of a significant portion of that shareholder's holdings could have a material adverse effect on the market price of our Common Stock. In addition, the registration and sale of any significant number of additional shares of our Common Stock will have the immediate effect of increasing the public float of our Common Stock and any such increase may cause the market price of our Common Stock to decline or fluctuate significantly.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Land

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

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

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

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

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

Water Operations

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

In addition to the WRMWSD contract water entitlements, we have an additional water entitlement from the SWP sufficient to service a substantial amount of future residential and/or commercial development in Kern County. TCWD, a local water district serving our land in the district and land we have sold in TRCC, has 5,749 acre-feet of SWP entitlement (also called Table A amount), subject to SWP allocations. In addition, TCWD has 56,189 acre-feet of water stored in Kern County water banks. Both the entitlement and the banked water are the subject of a long-term water supply contract extending to 2035 between TCWD and the Company. TCWD is the water supplier to TRCC, and will be the principal water supplier for any significant mixed-use development in MV. TCWD will also be the water district that provides services to Grapevine.

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

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

The initial term of the water purchase agreement with Nickel runs through 2044 and includes a Company option to extend the contract for an additional 35 years. This contract allows us to purchase water each year. The purchase cost of water in 2021 was $817 per acre-foot. Purchase costs are subject to annual cost increases based on the greater of the consumer price index and 3%, resulting in a 2022 purchase cost of $861 per acre-foot.

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

During 2021, SWP allocations were 5% of contract levels, and WRMWSD was able to supply us with water from various sources that when combined with our water sources provided sufficient water to meet our farming and real estate demands. In some years, there is also sufficient runoff from local mountain streams to allow us to capture some of this water in reservoirs and utilize it to offset some of the SWP water. In years where the supply of water is sufficient, both WRMWSD and TCWD are able to bank (percolate into underground aquifers) some of their excess supplies for future use. At this time, Wheeler Ridge expects to be able to deliver our entire contract water entitlement in any year that the SWP allocations exceed 30% by drawing on its ground water wells and water banking assets. Based on historical records of water availability, we do not believe we have material problems with our water supply. However, if SWP allocations are less than 30% of our entitlement in any year, or if shortages continue for a sustained period of several years, then WRMWSD may not be able to deliver 100% of our entitlement and we will have to rely on our own ground water sources, mountain stream runoff, water transfer from other sources, and water banking assets to supply the needs of our farming and development activities. Water from these sources may be more expensive than SWP water because of pumping costs and/or transfer costs. A 15% preliminary SWP water allocation has been made by the California Department of Water Resources, or DWR, for 2022. The current 15% allocation of SWP water is not enough for us to farm our crops, but our additional water resources, such as groundwater and surface sources, and those of the water districts we are in, should allow us to have sufficient water for our farming needs for the next year.

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

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

The Sustainable Groundwater Management Act, or SGMA, is a sustainable groundwater framework that became effective January 1, 2015. For the water districts in which the Company participates in the San Joaquin Valley, Groundwater Sustainability Plans have been developed and submitted to the DWR for review. Through these plans it will have to be demonstrated to the satisfaction of the DWR that the groundwater within the basins is sustainably managed by 2040 or 2042. To achieve sustainability, the GSPs could imposed limitations on the use of groundwater. The Company's Kern County agricultural lands and development lands are located in the Kern Subbasin, the White Wolf Subbasin and the Castac Lake Basin. The Kern Subbasin is designated by DWR as a high priority, critically overdrafted basin, and its GSP was required by to be submitted to DWR by January, 2020. DWR has recently notified the Groundwater Sustainability Agencies in the Kern Subbasin of deficiencies in their GSPs, which must be addressed to DWR's satisfaction by July of 2022. The White Wolf Subbasin is designated by DWR as a medium priority, non-critically overdrafted basin, and its GSP was required to be submitted to DWR by January 2022. The Board of Directors of the White Wolf GSA recently adopted the GSP for the White Wolf Subbasin and submitted it to DWR for review. The Castac Basin is a low priority basin, so there is no anticipation at this time of any restriction related to use of ground water under SGMA. Regardless of any limitations on groundwater use that might result from SGMA, the Company's lands are in relatively good condition because of the diverse inventory of surface water supplies and banked water that the Company has access to as mentioned above.

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

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

Another is DWR's plan for construction of a facility to convey water through the Delta in the form of a tunnel system that would divert water at or near the northern end of the Delta and convey the water underground via tunnel for delivery at or near the southern end of the Delta. Originally envisioned as a two-tunnel system known as California WaterFix, that project was rescinded and has been replaced with a proposed downsized single-tunnel system referred to as the Delta Conveyance Project, or DCP. As of January, 2020, DWR has begun the environmental review process for the DCP by issuance of a Notice of Preparation of an EIR under CEQA, and DWR has been negotiating an agreement in principle with the SWP Contractors for terms of an amendment to the SWP long-term water supply contracts that if approved would provide for addition of the DCP to the SWP. The DCP is intended to increase the amount of water available for delivery through the Delta, particularly in wet years.

Another is the Reinitiation of Consultation on the Coordinated Long Term Operation of the Central Valley Project and State Water Project. This is a process that DWR and the Bureau jointly requested in 2016 and that resulted in new federal FWS and NMFS BiOps under Federal Endangered Species Act, or ESA. The new BiOps were intended to enhance reliability of water available for pumping out of the Delta based on updated best available science. The State of California and various non-governmental organizations filed a legal challenge to the new BiOps. Additionally, the administration has delayed their implementation and reinitiated further consultation. An interim operations plan for the Delta has been introduced that would govern Delta operations in the absence of final BiOps, but that plan is also being challenged in court.

Other Activities

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

bond debt authorized by TRPFFA. Proceeds from the sales of these bonds are to reimburse the Company for public infrastructure related to TRCC-East.

We paid $2,860,000 and $2,550,000 in special taxes related to the CFDs in 2021 and 2020, respectively. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. It is expected that we will have special tax payments in 2022 of $2,473,000, but this could change in the future based on the amount of bonds outstanding within each CFD and the amount of taxes paid by other owners and tenants. The assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate and the assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2021.

ITEM 3. LEGAL PROCEEDINGS

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

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

As of February 28, 2022, there were 281 registered owners of record of our Common Stock.

No cash dividends were paid in 2021 or 2020 and at this time there is no intention of paying cash dividends in the future.

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

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

ITEM 6. RESERVED

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

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

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

OVERVIEW

Our Business

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

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

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

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

Financial Highlights

For 2021, net income attributable to common stockholders was $5,348,000 compared to net loss attributed to common stockholders of $740,000 in 2020. Over the comparative period, commercial/industrial segment profits and our share of equity in earnings from our unconsolidated joint ventures increased $5,109,000 and $4,698,000, respectively. The increase in

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

For 2020, net loss attributable to common stockholders was $740,000 compared to net income attributed to common stockholders of $10,580,000 in 2019. Our commercial/industrial segment greatly influenced our 2020 operating results. Over the comparative period, commercial/industrial segment revenues and results from our commercial joint ventures declined $7,256,000 and $12,071,000, respectively. The decline is primarily attributed to the fact that in 2019, there were several major real estate asset contributions and sales made by the Company to its joint ventures, as described below, that did not occur in 2020. From a joint venture operations standpoint, our share of TA/Petro operating results declined $3,088,000 after experiencing the effects of California's stay-at-home orders and other social distancing initiatives. Those factors resulted in lower fuel volumes that led to lower fuel margins. Additionally, TA/Petro had closed down its full service restaurants for most of the year as capacity limitations made operating economically unfeasible. Our farming segment saw a $5,465,000 decline in revenues as a result of lower pistachio bonuses, pistachio yields, and a decline in almond pricing. Declines in revenues were partially offset by lower commercial expense, as a result of reduced cost of sales of $5,839,000 and income taxes of $3,151,000. Additionally, the Company benefited from recognizing a gain on sale of building and land of $1,331,000 along with experiencing a $1,934,000 reduction in other expense primarily associated with the disposal of a wine grape vineyard in 2019.

During 2022, we will continue to invest funds towards litigation defense, permits, and maps for our master plan mixed-use developments and for master project infrastructure and vertical development within our active commercial and industrial development. Securing entitlements for our land is a long, arduous process that can take several years and involves litigation. During the next few years, our net income will fluctuate from year-to-year based upon, among other factors, commodity prices, production within our farming segment, the timing of land sales and the leasing of land and/or industrial space within our industrial developments, and equity in earnings realized from our unconsolidated joint ventures.

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

Critical Accounting Estimates

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

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

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

Impairment of Long-Lived Assets – We evaluate our property and equipment and development projects for impairment on an ongoing basis. Our evaluation for impairment involves an initial assessment of each real estate development to determine

whether events or changes in circumstances exist that may indicate that the carrying amounts of a real estate development are no longer recoverable. Possible indications of impairment may include events or changes in circumstances affecting the entitlement process, government regulation, litigation, geographical demand for new housing, and market conditions related to pricing of new homes. When events or changes in circumstances indicate that the carrying value of assets contained in our financial statements may not be recoverable.

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

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

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

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

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

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

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

Recent Accounting Pronouncements

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

Results of Operations by Segment

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

Real Estate – Commercial/Industrial

($ in thousands)	2021	2020	2019
Commercial/industrial revenues			
Pastoria Energy Facility Lease	$ 4,380	$ 4,584	$ 4,573
TRCC Leasing	1,724	1,744	1,815
TRCC management fees and reimbursements	692	715	1,172
Commercial leases	627	580	658
Communication leases	952	927	924
Landscaping and other	1,066	986	1,029
Land sales	10,035	—	6,621
Total commercial revenues	$ 19,476	$ 9,536	$ 16,792
Total commercial expenses	$ 11,953	$ 7,122	$ 12,961
Operating income from commercial/industrial	$ 7,523	$ 2,414	$ 3,831

2021 Operational Highlights:

- During 2021, commercial/industrial segment revenues increased $9,940,000, or 104%, from $9,536,000 in 2020 to $19,476,000. During 2021, the Company sold two land parcels, comprised of 55.96 acres, for $10,035,000. The first sale comprised of a 38.86 acre land parcel contributed with a fair value of $8,464,000 to TRC-MRC 4, LLC. The Company recognized revenues of $5,679,000 and deferred profit of $2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures. The second sale was to a third party for a 17.1 acre parcel for total consideration of $4,665,000. Under the terms of the sale, the Company recognized $4,355,000 in revenues and deferred $300,000 that will be recognized upon completion of a performance obligation in 2022. There were no land sales in 2020.
- Commercial/industrial real estate segment expenses increased $4,831,000, or 68%, from $7,122,000 in 2020 to $11,953,000 in 2021. The increase in expenses is primarily attributed to land cost of sales of $4,246,000 and an increase in TCWD water assessments of $535,000 that is associated with the drought conditions.
- Please refer to Item 1, “Business – Real Estate Development Overview” for discussion over minimum rent deferrals that resulted from the COVID-19 pandemic.

2020 Operational Highlights:

- During 2020, commercial/industrial segment revenues decreased $7,256,000, or 43%, from $16,792,000 in 2019 to $9,536,000. During 2020, the Company did not have any land sales, which contributed $6,621,000 of the decrease. Additionally, management fees and reimbursements decreased $457,000 primarily because there were no real estate construction projects in 2020.
- Commercial/industrial real estate segment expenses decreased $5,839,000, or 45%, from $12,961,000 in 2019 to $7,122,000 in 2020. In the absence of land sales, there was a $4,745,000 decrease in land cost of sales. The remainder of the decrease is attributed to lower fixed water assessments from TCWD.

For 2022, TRCC will continue to be the driver of new activity within the Company as construction is completed on a 629,274 square-foot industrial building, anticipated construction commencement of a multi-family project in late 2022, and finalizing plans for an up to 445,000 square-foot building that will begin construction in 2023. We also expect the commercial/industrial segment to continue to experience operating costs, net of amounts capitalized, primarily related to professional service fees, marketing, commissions, planning, and staffing costs as we continue to pursue these development opportunities. These costs are expected to remain consistent with current levels of expense with any variability in the future tied to specific absorption transactions in any given year. TCWD water assessments may vary depending on water availability and its ability to sell water.

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

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

Real Estate – Resort/Residential

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

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

2021 Operational Highlights:

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

2020 Operational Highlights:

- In 2020, resort/residential segment expenses decreased $635,000 to $1,612,000, or 28%, when compared to $2,247,000 in 2019. The decrease is attributed to an $801,000 decrease in professional services as there were fewer strategic planning efforts in 2020. This decrease was partially offset by a $171,000 increase in payroll and overhead costs, net of capitalization, as a result of right sizing initiatives and the issuance of performance based stock compensation.

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

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

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

Mineral Resources

($ in thousands)	2021	2020	2019
Mineral resources revenues			
Oil and gas	$ 737	$ 654	$ 1,842
Rock aggregate	1,910	1,407	1,467
Cement	2,210	2,214	1,908
Exploration leases	119	100	101
Water sales	15,523	5,909	3,997
Reimbursables and other	488	452	476
Total mineral resources revenues	$ 20,987	$ 10,736	$ 9,791
Total mineral resources expenses	$ 13,559	$ 6,414	$ 5,818
Operating income from mineral resources	$ 7,428	$ 4,322	$ 3,973

	2021	2020	2019
Oil and gas			
Oil production (barrels)	75,006	114,567	220,000
Average price per barrel	$69.00	$46.00	$61.00
Blended royalty rate	13.9%	11.7%	13.2%
Natural gas production (millions of cubic feet)	64,000	207,000	312,000
Average price per thousand cubic feet	$1.50	$1.06	$1.58
Blended royalty rate	13.9%	11.7%	13.2%
Water			
Water sold in acre-feet	13,651	5,022	4,482
Average price per acre-feet	$1,137	$1,177	$750
Cement			
Tons sold	1,275,000	1,253,000	1,117,000
Average price per ton	$1.73	$1.77	$1.71
Rock/Aggregate			
Tons sold	1,466,000	1,272,000	1,283,000
Average price per ton	$1.30	$1.11	$1.03

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

2021 Operational Highlights:

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

2020 Operational Highlights:

- Revenues from our mineral resources segment increased $945,000, or 10%, to $10,736,000 in 2020 when compared to $9,791,000 in 2019. The increase is attributed to a $1,912,000 increase in water sales. During 2019, the Company had an unfavorable water sales adjustment of $1,050,000 that was tied to an increase in SWP allocation levels, which adversely affected sales pricing. In 2020 however, SWP allocation levels were much lower, which in turn improved pricing, resulting in additional water sales revenues. Lastly, there were 540 additional acre-feet of water sold during 2020 when compared to 2019.
- There was an increase in cement royalties of $306,000 resulting from increased demand from the Company's tenant, National Cement as a result of an increase in road infrastructure projects.
- Offsetting the favorable revenue increases was a $1,188,000 decrease in oil and gas royalties resulting from lower prices for much of 2020 and lower demand driven by social distancing initiatives such as California's stay-at-home orders.
- Mineral resource expense increased $596,000, or 10%, to $6,414,000 in 2020 when compared to $5,818,000 in 2019. Of the $596,000 increase, $469,000 is attributed to increased water cost of sales as a result of selling additional water. The remainder is attributed to an increase in property taxes that occurred because of higher mineral assessments on the Company's land.

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

Farming

($ in thousands)	2021	2020	2019
Farming revenues			
Almonds	$ 3,100	$ 5,021	$ 7,310
Pistachios	4,293	5,636	7,466
Wine grapes	2,850	2,589	3,740
Hay	408	419	468
Other	388	201	347
Total farming revenues	$ 11,039	$ 13,866	$ 19,331
Total farming expenses	$ 14,116	$ 15,103	$ 15,251
Operating Income from farming	$ (3,077)	$ (1,237)	$ 4,080

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

[1] Average price calculation reflects sale of almond and pistachio crops during the calendar reported year exclusive of any price adjustments.
[2] Almond and pistachio units are presented in thousands of pounds while wine grapes are presented in thousands of tons.

2021 Operational Highlights:

- During 2021, farming segment revenues decreased $2,827,000, or 20%, from $13,866,000 in 2020 to $11,039,000 in 2021. The factors contributing to this decrease is as follow:
  - Almond revenues decreased $1,921,000 due to supply chain disruptions that impacted our ability to deliver 2021 almond crop. In particular, there is a shortage of truck drivers needed to transport goods to the Los Angeles and Long Beach ports so that goods can be shipped overseas. Additionally, there is a shortage in food grade shipping containers that are necessary to ship almonds overseas. Thus far, these disruptions have continued into 2022 but we expect to sell the remainder of our 2021 crop in 2022.
  - Pistachio revenues decreased $1,343,000 primarily due to the decrease in insurance proceeds received in 2021 when compared to 2020. In 2020, we received pistachio insurance proceeds of $3,789,000, but because the 2021 pistachio crop year is a down bearing production year the insurance proceeds were only $466,000, a decrease of $3,323,000. The primary driver leading to higher insurance proceeds in 2020, was the assumption that 2020 production was based on yields typically seen during an on production year, which is much higher than that of the current down bearing production year. With respect to yields, the Company sold 1,615,000 and 456,000 pounds of pistachios in 2021 and 2020, respectively. The 2021 pistachio yields were inline with a normal off-production year.
  - Wine grape revenues increased $261,000 due to better wine grape pricing.

	December 31, 2020			December 31, 2019			Change		
($ in thousands)	Revenue	Quantity Sold[2]	Average Price	Revenue	Quantity Sold[2]	Average Price	Revenue	Quantity Sold[2]	Average Price
ALMONDS (lbs.)									
Current year crop	$ 4,207	2,078	$ 2.02	$ 6,359	2,252	$ 2.82	$ (2,152)	(174)	$ (0.80)
Prior crop years	783	405	1.93	568	227	$ 2.50	215	178	(0.57)
Prior crop price adjustment	—			(61)			61		
Signing bonus	31			28			3		
Crop Insurance	—			$ 416			$ (416)		
Subtotal Almonds[1]	$ 5,021	2,483	$ 2.01	$ 7,310	2,479	$ 2.79	$ (2,289)	4	$ (0.78)
PISTACHIOS (lbs.)									
Current year crop	$ 932	456	$ 2.04	$ 1,624	819	$ 1.98	$ (692)	(363)	$ 0.06
Prior crop years	25	13	1.92	976	558	1.75	(951)	(545)	0.17
Prior crop price adjustment	890			3,807			(2,917)		
Insurance	3,789			1,059			2,730		
Subtotal Pistachios[1]	$ 5,636	469	$ 2.04	$ 7,466	1,377	$ 1.89	$ (1,830)	(908)	$ 0.15
WINE GRAPES (tons)									
Current year crop	$ 2,589	9	$ 287.67	$ 3,730	14	$ 266.43	$ (1,141)	(5)	$ 21.24
Insurance	—			10			(10)		
Subtotal Wine Grapes	$ 2,589	9	$ 287.67	$ 3,740	14	$ 266.43	$ (1,151)	(5)	$ 21.24
Other									
Hay	$ 419			$ 468			$ (49)		
Other farming revenues	201			347			(146)		
Total farming revenues	$ 13,866			$ 19,331			$ (5,465)		

[1] Average price calculation reflects sale of almond and pistachio crops during the calendar reported year exclusive of any price adjustments.
[2] Almond and pistachio units are presented in thousands of pounds while wine grapes are presented in thousands of tons.

2020 Operational Highlights:

- During 2020, farming segment revenues decreased $5,465,000, or 28%, from $19,331,000 in 2019 to $13,866,000 in 2020. The factors contributing to this decrease are as follow:
    - Almond revenues decreased $2,289,000 as a result of lower pricing. California's 2020 almond crop yielded in excess of 3 billion pounds, surpassing all previous production records. The increased yields were driven by favorable blooms along with new almond plantings coming into production throughout California in recent years. The mix of demand has been changed in the near term as a result of COVID-19 as more product is moving through wholesale markets and less through high end users such as restaurants. The global demand for almonds remains as strong as it was prior to the pandemic, with India and China being the largest importer of California almonds. Although COVID-19 disrupted international trade during its early onset, it ultimately had a sparing effect on the Company's sales volumes. The aforementioned factors discussed are the primary drivers of the overall decline in pricing.
    - Pistachio revenues decreased $1,830,000. Although 2020 was not a down bearing year for pistachios, the crop did not receive adequate chilling hours as a result of the warm 2020 winter. Crops with inadequate chilling hours will have depressed yields and blooms. As a hedge against below average production for its almond and pistachio crops, the Company purchases crop production insurance annually. This insurance will pay for reduced production if crop production in the year falls below the insured levels. The Company filed a claim with its insurance provider in order to recuperate a portion of the reduced production revenues as a result of lost production. The insurance claim in the amount of $3,789,000 was collected during the fourth quarter.
    - Wine grape revenues decreased $1,151,000 due to less production, which was the result of removing a 313 acre vineyard. The vineyard was removed in 2020 as there was no longer interest for its fruit. The Company in late 2020 acquired a new sales contract for a different variety of grapes, resulting in the development of a new vineyard, which will ultimately replace this lost revenue stream.

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

Ranch Operations

($ in thousands)	2021	2020	2019
Ranch operations revenue			
Game management and other [1]	$ 2,744	$ 2,097	$ 2,020
Grazing	1,367	1,595	1,589
Total ranch operations revenues	$ 4,111	$ 3,692	$ 3,609
Total ranch operations expenses	$ 4,679	$ 4,896	$ 5,316
Operating loss from ranch operations	$ (568)	$ (1,204)	$ (1,707)

[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.

2021 Operational Highlights:

- Revenues from ranch operations increased $419,000, or 11%, from $3,692,000 in 2020 to $4,111,000 in 2021, which is primarily attributed to an increase in guided hunts of $123,000 and an increase in filming location fees of $292,000. Due to extended mandates and restrictions from COVID-19 in Los Angeles County, our vast open area was able to attract more production companies during 2021. As restrictions in Los Angeles County continue into 2022, we expect to see the same level of interest for filming on our land.
- Ranch operations expenses decreased $217,000, or 4%, to $4,679,000 in 2021 from $4,896,000 in 2020. The decrease is primarily attributed to reduced payroll and overhead expenses of $218,000.

2020 Operational Highlights:

- Revenues from ranch operations increased $83,000, or 2%, from $3,609,000 in 2019 to $3,692,000 in 2020, which is primarily attributed to an increase in guided hunts of $121,000.
- Ranch operations expenses decreased $420,000, or 8%, to $4,896,000 in 2020 from $5,316,000 in 2019. The decrease is primarily attributed to reduced payroll and overhead expenses of $332,000 as a result of the Company's right sizing efforts. This segment also had notable decreases in fuel costs and fees of $56,000 and $60,000, respectively.

Other Income

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

Total other income increased $2,910,000, or 497%, from a loss of $585,000 in 2019 to income of $2,325,000 in 2020. In 2019, the Company recognized asset abandonment costs of $1,604,000, that was primarily related to a wine grape vineyard consisting of 313 acres. There were no similar abandonment costs recorded in 2020. Also in 2020, the Company sold building and land that was previously operated by a fast food tenant to its joint venture, Petro Travel Plaza LLC. The Company received a cash distribution of $2,000,000 from the joint venture, and realized a Gain on Sale of Real Estate of $1,331,000. Offsetting these favorable variances in other income was a $355,000 decrease in investment income that resulted from not reinvesting maturing securities in order to fund the Company's major development projects.

Corporate Expenses

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

Corporate general and administrative costs increased $69,000, or 0.7%, to $9,430,000 during 2020 when compared to $9,361,000 in 2019. The increase is attributed to an $1,182,000 increase in stock compensation as a result of implementing a new performance stock compensation plan. This increase was offset by a $546,000 decrease in payroll as a result of temporary cost cutting measures resulting from the COVID-19 pandemic, a $426,000 decrease in professional services, and a $139,000 decrease in depreciation.

Equity in Earnings of Unconsolidated Joint Ventures

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

($ in thousands)	2021	2020	2019
Equity in earnings (loss)			
Petro Travel Plaza Holdings LLC	$ 4,957	$ 5,722	$ 8,810
Five West Parcel, LLC	—	(2)	9,119
18-19 West, LLC	5,206	(68)	(53)
TRCC/Rock Outlet Center, LLC	(1,443)	(2,090)	(1,921)
TRC-MRC 1, LLC	(7)	64	46
TRC-MRC 2, LLC	634	678	575
TRC-MRC 3, LLC	(144)	200	(1)
TRC-MRC 4, LLC	(1)	—	—
Equity in earnings of unconsolidated joint ventures, net	$ 9,202	$ 4,504	$ 16,575

2021 Operational Highlights:

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

- The 18-19 West LLC joint venture had a purchase option in place with a third-party to purchase lots l8 and 19 at a price of $15,213,000. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for $15,213,000.
- The Petro Travel Plaza improved its fuel sales volume by 22% in 2021 when compared to 2020. However, the Company's share of operating results declined as a result of a 96% increase in the overall cost of fuel that was only partially mitigated by a 70% increase in fuel sales prices. Additionally, the joint venture also experienced an increase in labor costs due to increasing market wages.

2020 Operational Highlights:

During 2020, equity in earnings from unconsolidated joint ventures decreased $12,071,000, or 73%, to $4,504,000 when compared to $16,575,000 in 2019.

- Five West Parcel, LLC's operating results declined $9,121,000 when compared to 2019 because the joint venture in 2020 was focused on dissolution, which was completed in 2020. In 2019, the joint venture sold its building and land for $29,088,000, and recognized a gain of $17,537,000. The Company was entitled to 50% of the gain in 2019, explaining the year-over-year variance.
- There was a $3,088,000 decrease in our share of earnings from our TA/Petro joint venture. This joint venture was impacted by California's stay-at home orders for most of 2020. As travelers were discouraged from travelling during the holidays, fuel sales volumes saw a 10% decline, causing a 22% decline in fuel margins. In addition, indoor dining restrictions forced the joint venture's full service restaurants to close which resulted in a 77% decline in revenues and a 78% decline in restaurant operating margins.

Income Taxes

For the twelve months ended December 31, 2021, the Company's net income tax expense was $3,821,000 compared to $829,000 for the twelve months ended December 31, 2020. These represent effective income tax rates of approximately 42% and 1,011% for the twelve months ended December 31, 2021 and, 2020, respectively. Our effective income tax rate for the year ended December 31, 2021 was higher than the federal statutory rate in the United States, a result of permanent differences arising from stock compensation and non-deductible compensation under Section 162(m) of the Tax Cuts and Jobs Act of 2017. The discrete item associated with stock grants was triggered when stock grants were issued to participants at a price less than the original grant price, causing a deferred tax shortfall. The shortfall recognized during the year represents the reversal of excess deferred tax assets recognized in prior periods. The recognition of the shortfall is not anticipated to have an impact on the Company's current income tax payable. Lastly, the Company recorded a one time deferred tax liability true-up associated with capitalized stock compensation. As of December 31, 2021 and 2020 we had an income tax payable of $1,217,000 and income tax receivable of $1,497,000, respectively.

As of December 31, 2021, we had net deferred tax liabilities of $2,898,000. Our largest deferred tax assets were made up of temporary differences related to the capitalization of costs, pension adjustments, interest rate swap, and stock compensation. Deferred tax liabilities consist of depreciation, deferred gains, joint venture differences, cost of sales adjustments, and straight-line rent. Due to the nature of most of our deferred tax assets, we believe they will be used in future years and an allowance is not necessary.

The Company classifies interest and penalties incurred on tax payments as income tax expenses. The Company made income tax payments of $730,000 in 2021 and 0 in 2020. The Company received refunds of $483,000 in 2021 and $1,314,000 in 2020.

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

Liquidity and Capital Resources

Cash Flow and Liquidity

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

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

Our cash and cash equivalents and marketable securities totaled approximately $47,178,000 at December 31, 2021, a decrease of $10,913,000, or 19%, from the corresponding amount at the end of 2020.

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

($ in thousands)	2021	2020	2019
Operating activities	$ 2,816	$ 15,481	$ 16,045
Investing activities	$ (14,652)	$ 19,778	$ 828
Financing activities	$ (6,086)	$ (7,045)	$ (5,675)

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

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

During 2020, our operations generated $15,481,000 in cash. A portion of these receipts came from distributions of $6,222,000 from our Five West Parcel, TA/Petro and Majestic joint ventures, while another $5,427,000 came in the form of farming receivable collections.

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

During 2020, investing activities provided $19,778,000, which was largely attributed to marketable securities maturities of $41,843,000. The maturities were used to fund capital expenditures of $22,259,000 that was primarily related to our real estate development. Of the $22,259,000, we spent $4,132,000 on general planning and final map preparation for Phase 1 of MV, $3,635,000 on litigation defense for Centennial, and $1,997,000 on re-entitlement and litigation for Grapevine. At TRCC, we primarily used $7,128,000 to expand water infrastructure at TRCC and early entitlement efforts for TRCC Residential. All real estate capital expenditures are inclusive of capitalized interest, payroll and overhead. Our mineral resources segment spent $3,568,000 to acquire water for use as needed and for our future residential developments. Lastly, our farming segment had cash outlays of $5,145,000 for developing new almond orchards and replacing old farm equipment.

Our estimated capital investment for 2022 is primarily related to our real estate projects as it was in 2021. These estimated investments include approximately $12,716,000 of infrastructure development at TRCC-East to support continued commercial retail and industrial development and expanding water facilities to support future anticipated absorption. We are also investing approximately $3,337,000 to continue developing new almond orchards, wine grape vineyards, and replacing old farming equipment. The farm investments are part of a long-term farm management program to redevelop declining orchards and vineyards allowing the Company to maintain and improve future farm revenues. We expect to possibly invest up to $8,513,000 for permitting activities, litigation defense, predevelopment activities and land planning design at MV, Centennial, and Grapevine. The timing of these investments is dependent on our coordination efforts with Los Angeles County regarding litigation efforts for Centennial, permitting activities for Grapevine, and design, civil engineering, land planning and design, for MV. Our plans also include $4,544,000 for payment of annual water inventory and water related investments. We are also planning to potentially invest up to $502,000 in the normal replacement of operating equipment, such as ranch equipment, and vehicles.

We capitalize interest cost as a cost of the project only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the years ended December 31, 2021 and 2020, of $2,459,000 and $2,713,000, respectively, is classified in real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects which aggregated $2,467,000 and $3,520,000 for the years ended December 31, 2021 and 2020, respectively. Expenditures for repairs and maintenance are expensed as incurred. As noted above, these costs are included in the above investment numbers.

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

During 2020, financing activities used $7,045,000, which is comprised of long-term debt repayments of $4,819,000 and tax payments on vested stock grants of $2,226,000.

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

Capital Structure and Financial Condition

At December 31, 2021, total capitalization at book value was $509,141,000 consisting of $52,630,000 of debt, net of deferred financing costs, and $456,511,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 10.3%, representing a decrease when compared to the debt-to-total-capitalization ratio of 13.1% at December 31, 2020.

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

The Amended Term Loan had an outstanding balance of $50,837,000 as of December 31, 2021 and an outstanding balance of $54,887,000 as of December 31, 2020. The interest rate per annum applicable to the Amended Term Note is LIBOR (as defined in the Term Note) plus a margin of 170 basis points. The interest rate for the Amended Term Note has been fixed at 4.16% through the use of an interest rate swap agreement. The Amended Term Note requires monthly amortization payments, with the outstanding principal amount due June 5, 2029. The Amended Term Note is secured by the Company’s farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The RLC had no outstanding balance at December 31, 2021 and December 31, 2020. At the Company’s option, the interest rate on this line of credit can float at 1.50% over a selected LIBOR rate or can be fixed at 1.50% above LIBOR for a fixed rate term. During the term of this RLC, the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary.

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

The Amended Note and RLC, collectively the Amended Credit Facility, requires compliance with three financial covenants: (i) total liabilities divided by tangible net worth not greater than 0.75 to 1.0 at each quarter end; (ii) a debt service coverage ratio not less than 1.25 to 1.00 as of each quarter end on a rolling four quarter basis; and (iii) maintain liquid assets equal to or greater than $20,000,000, including availability on the RLC. At December 31, 2021 and December 31, 2020, the Company was in compliance with all financial covenants.

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

The Amended Credit Facility contains customary events of default, including: failure to make required payments; failure to comply with terms of the Amended Credit Facility; bankruptcy and insolvency; and a change in control without consent of the bank (which consent will not be unreasonably withheld). The Amended Credit Facility contains other customary terms and conditions, including representations and warranties, which are typical for credit facilities of this type.

We also have a $4,750,000 promissory note agreement with principal and interest due monthly. The interest rate on this promissory note is 4.25% per annum, with principal and interest payments ending on September 1, 2028. The proceeds from this promissory note were used to eliminate debt that had been previously used to provide long-term financing for a building being leased to Starbucks and provide additional working capital for future investment. In March 2020, the Company made an additional payment of $687,000 that was applied to the principal of the note. Subsequent principal and interest payments were reduced to $28,000 per month. The additional principal payment was tied to the release of collateral, which in April 2020 was contributed to Petro Travel Plaza LLC. The balance of this long-term debt instrument included in "Notes payable" above approximates the fair value of the instrument. The balance as of December 31, 2021 is $1,947,000.

Our current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from on-going operations, distributions from joint ventures, proceeds from the sale of developed and undeveloped parcels, potential sales of assets, additional use of debt or drawdowns against our line-of-credit, proceeds from the reimbursement of public infrastructure costs through CFD bond debt (described below under “Off-Balance Sheet Arrangements”), and the issuance of common stock. In May 2019, we filed an updated shelf registration statement on Form S-3 that went effective in May 2019. Under the shelf registration statement, we may offer and sell in the future one or more

offerings, common stock, preferred stock, debt securities, warrants or any combination of the foregoing. The shelf registration allows for efficient and timely access to capital markets and when combined with our other potential funding sources just noted, provides us with a variety of capital funding options that can then be used and appropriately matched to the funding needs of the Company.

As noted above, at December 31, 2021, we had $47,178,000 in cash and securities and as of the filing date of this Form 10-K, we had $35,000,000 available on credit lines to meet any short-term liquidity needs.

We continue to expect that substantial investments will be required in order to develop our land assets. In order to meet these capital requirements, we may need to secure additional debt financing and continue to renew our existing credit facilities. In addition to debt financing, we will use other capital alternatives such as joint ventures with financial partners, sales of assets, and the issuance of common stock. We will use a combination of the above funding sources to properly match funding requirements with the assets or development project being funded. As we move into 2022, we will be evaluating various options for funding the potential start of development projects. There is no assurance that we can obtain financing or that we can obtain financing at favorable terms. We believe we have adequate capital resources to fund our cash needs and our capital investment requirements in the near-term as described earlier in the cash flow and liquidity discussions.

Contractual Cash Obligations

The following table summarizes our contractual cash obligations and commercial commitments as of December 31, 2021, to be paid over the next five years:

	Payments Due by Period				
($ in thousands)	Total	Less than a year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Estimated water payments	$ 285,566	$ 11,452	$ 23,945	$ 25,404	$ 224,765
Long-term debt	52,784	4,475	9,596	10,454	28,259
Interest on long-term debt	10,624	2,098	3,613	2,778	2,135
Cash contract commitments	9,429	6,184	1,656	518	1,071
Defined Benefit Plan	4,647	317	712	973	2,645
SERP	5,230	526	997	1,115	2,592
Financing fees	163	163	—	—	—
Operating lease	27	16	11	—	—
Total contractual obligations	$ 368,470	$ 25,231	$ 40,530	$ 41,242	$ 261,467

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

As discussed in Note 15 (Retirement Plans) of the Notes to Consolidated Financial Statements, we have long-term liabilities for deferred employee compensation, including pension and supplemental retirement plans. Payments in the above table reflect estimates of future defined benefit plan contributions from the Company to the plan trust, estimates of payments to employees from the plan trust, and estimates of future payments to employees from the Company that are in the SERP program. During 2021, we made pension contributions of $165,000 and it is projected that we will make a similar contribution in 2022.

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

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

Off-Balance Sheet Arrangements

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

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

In connection with the sale of bonds there is a standby letter of credit for $4,393,000 related to the issuance of East CFD bonds. The standby letter of credit is in place to provide additional credit enhancement and cover approximately two years' worth of interest on the outstanding bonds. This letter of credit will not be drawn upon unless the Company, as the largest landowner in the CFD, fails to make its property tax payments. As development occurs within TRCC-East there is a mechanism in the bond documents to reduce the amount of the letter of credit. The Company believes that the letter of credit will never be drawn upon. This letter of credit is for a two-year period of time and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately $68,000. The assessment of each individual property sold or leased within each CFD is not determinable at this time because it is based on the current tax rate and the assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2021.

At December 31, 2021, aggregate outstanding debt of unconsolidated joint ventures was $141,917,000. We guarantee $127,069,000 of this debt, relating to our joint ventures with Rockefeller and Majestic. Because of positive cash flow generation within the Rockefeller and Majestic joint ventures, we do not expect the guarantee to ever be called upon. We do not provide a guarantee on the $14,848,000 of debt related to our joint venture with TA/Petro.

Non-GAAP Financial Measures

EBITDA represents earnings before interest, taxes, depreciation, and amortization, a non-GAAP financial measure, and is used by us and others as a supplemental measure of performance. We use Adjusted EBITDA to assess the performance of our core operations, for financial and operational decision making, and as a supplemental or additional means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as EBITDA, excluding stock compensation expense and asset abandonment charges. 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, stock compensation expense, and abandonment charges. 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.

	Year-Ended December 31,		
($ in thousands)	2021	2020	2019
Net (loss) income	$ 5,342	$ (747)	$ 10,579
Net loss attributed to non-controlling interest	(6)	(7)	(1)
Interest, net			
Consolidated interest income	(57)	(884)	(1,239)
Our share of interest expense from unconsolidated joint ventures	1,708	1,902	2,785
Total interest, net	1,651	1,018	1,546
Income tax expense	3,821	829	3,980
Depreciation and amortization			
Consolidated	4,594	4,938	5,036
Our share of depreciation and amortization from unconsolidated joint ventures	4,639	4,419	4,135
Total depreciation and amortization	9,233	9,357	9,171
EBITDA	20,053	10,464	25,277
Stock compensation expense	4,271	4,494	3,198
Asset abandonment charges	—	—	1,604
Adjusted EBITDA	**$ 24,324**	**$ 14,958**	**$ 30,079**

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

($ in thousands)	Year-Ended December 31,		
Net operating income	2021	2020	2019
Pastoria Energy Facility	$ 4,355	$ 4,576	$ 4,573
TRCC	1,250	1,290	1,488
Communication leases	940	911	912
Other commercial leases	609	557	650
Total Commercial/Industrial net operating income	**$ 7,154**	**$ 7,334**	**$ 7,623**

	Year-Ended December 31,		
($ in thousands)	2021	2020	2019
Commercial/Industrial operating income	$ 7,523	$ 2,414	$ 3,831
Plus: Commercial/Industrial depreciation and amortization	463	486	517
Plus: General, administrative and other expenses	10,950	6,137	11,907
Less: Other revenues including land sales	(11,782)	(1,703)	(8,632)
Total Commercial/Industrial net operating income	**$ 7,154**	**$ 7,334**	**$ 7,623**

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

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

($ in thousands)	Year-Ended December 31,		
	2021	2020	2019
Net income of unconsolidated joint ventures	$ 16,752	$ 7,099	$ 30,213
Plus: Interest expense of unconsolidated joint ventures	4,926	5,154	5,438
Operating income of unconsolidated joint ventures	21,678	12,253	35,651
Plus: Depreciation and amortization of unconsolidated joint ventures	8,720	8,323	7,773
Less: Gain on sale of asset	—	—	(17,537)
Less: Profit from sale of land	(10,380)	—	—
Net operating income of unconsolidated joint ventures	**$ 20,018**	**$ 20,576**	**$ 25,887**

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Financial Market Risks

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

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

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

We are exposed to interest rate risk on our long-term debt. Long-term debt consists of two term loans, one for $50,837,000 and is tied to LIBOR plus a margin of 1.70%. The interest rate for the term of this loan has been fixed through the use of an interest rate swap that fixed the rate at 4.16%. The outstanding balance on the second term loan is $1,947,000 and has a fixed rate of 4.25%. We believe it is prudent at times to limit the variability of floating-rate interest payments and have from time-to-time entered into interest rate swap arrangements to manage those fluctuations, as we did with the Term Loan.

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

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

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

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

Interest Rate Sensitivity Financial Market Risks
Principal Amount by Expected Maturity
At December 31, 2020
(In thousands except percentage data)

	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Assets:								
Marketable securities	$2,766	$—	$—	$—	$—	$—	$2,766	$2,771
Weighted average interest rate	0.99%	—%	—%	—%	—%	—%	0.99%	
Liabilities:								
Long-term debt ($4.75M note)	$244	$254	$265	$277	$289	$862	$2,191	$2,191
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt ($70.0M note)	$4,051	$4,221	$4,429	$4,624	$4,825	$32,737	$54,887	$54,887
Weighted average interest rate	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	

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

Commodity Price Exposure

As of December 31, 2021, we have exposure to adverse price fluctuations associated with certain inventories and accounts receivable. Farming inventories consist of farming cultural and processing costs related to 2021 and 2020 crop production. The farming costs inventoried are recorded at actual costs incurred. Historically, these costs have been recovered each year when that year’s crop harvest has been sold.

With respect to accounts receivable, the amount at risk relates primarily to farm crops. These receivables are recorded based on estimated final pricing. The final price is generally not known for several months following the close of our fiscal year. Of the $6,473,000 in outstanding accounts receivable at December 31, 2021, $2,409,000 or 37%, is at risk for changing prices, all of which is attributed to pistachios.

The price estimated for recording accounts receivable for pistachios recorded at December 31, 2021 was $2.14 per pound, as compared to $2.04 per pound at December 31, 2020. For each $0.01 change in the price per pound of pistachios, our receivable for pistachios increases or decreases by $11,200. Although the final price per pound of pistachios (and therefore the extent of the risk) is not presently known, over the last three years prices have ranged from $1.98 to $2.14.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2021 in ensuring that all information required in the reports we file or submit under the Exchange Act was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and was recorded, processed, summarized and reported within the time period required by the rules and regulations of the SEC.

(b) Changes in Internal Control Over Financial Reporting

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

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

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information as to our Executive Officers is set forth in Part I, Item 1 of this Form 10-K under “Information about our Executive Officers.” The other information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2022 Annual Meeting of Stockholders and will be found under the captions “The Election of Directors,” “Code of Business Conduct and Ethics and Corporate Governance Guidelines,” “Corporate Governance Matters” and, if applicable, “Delinquent Section 16(a) Reports.”

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2022 Annual Meeting of Stockholders and will be found under the captions “Compensation Discussion and Analysis,” and “Compensation Committee Report.”

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

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

Information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2022 Annual Meeting of Stockholders and will be found under the caption "Stock Ownership of Certain Beneficial Owners and Management."

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

The following table shows aggregated information as of December 31, 2021 with respect to all of our compensation plans under which our equity securities were authorized for issuance. At December 31, 2021, we had, and we presently have, no other compensation contracts or arrangements for the issuance of any such equity securities and there were then, and continue to be, no compensation plans, contracts or arrangements which were not approved by our stockholders. More detailed information with respect to our compensation plans is included in Note 11 (Stock Compensation - Restricted Stock and Performance Share Grants) of the Notes to Consolidated Financial Statements.

Equity Compensation Plans Approved by Security Holders

Equity compensation plans approved by security holders *	Number of securities to be issued upon exercise of outstanding grants	Weighted-average exercise price of outstanding grants	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Restricted stock grants and restricted stock units at target goal achievement	683,645	Final price determined at time of vesting	415,779

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

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

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2022 Annual Meeting of Stockholders and will be found under the captions “Related Person Transactions” and “Corporate Governance Matters.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2022 Annual Meeting of Stockholders and will be found under the caption "Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

FN 1 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 333-231032) as Exhibit 99.1 to our Current Report on Form 8-K filed on May 26, 2020, is incorporated herein by reference.

FN 2 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 99.1 to our Current Report on Form 8-K filed on May 26, 2020, is incorporated herein by reference.

FN 5	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to our Current Report on Form 8-K filed on December 20, 2005, is incorporated herein by reference.
FN 6	This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference. This Exhibit was not filed with the Securities and Exchange Commission in an electronic format.
FN 7	This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K, for the period ending December 31, 1997, is incorporated herein by reference.
FN 8	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.
FN 9	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference
FN 10	This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.
FN 11	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
FN 12	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.2 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
FN 13	This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibits 10.21-10.23 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.
FN 14	This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibit 10.24 to our Current Report on Form 8-K filed on May 24, 2006, is incorporated herein by reference.
FN 15	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.28 to our Current Report on Form 8-K filed on June 23, 2008, is incorporated herein by reference.
FN 16	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.25 to our Quarterly Report on Form 10-Q for the period ending June 30, 2009, is incorporated herein by reference.
FN 17	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.26 to our Quarterly Report on Form 10-Q for the period ending March 31, 2013, is incorporated herein by reference.
FN 18	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.27 to our Current Report on Form 8-K filed on June 4, 2013, is incorporated herein by reference.
FN 19	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2013, is incorporated herein by reference.
FN 20	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.29 to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2013, is incorporated herein by reference.
FN 21	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.30 to our Current Report on Form 8-K filed on July 16, 2014, is incorporated herein by reference.
FN 22	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibits 10.31-10.33 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
FN 23	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2014, is incorporated herein by reference.
FN 24	This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.35 to our Quarterly Report on Form 10-Q for the period ending June 30, 2015, is incorporated herein by reference.

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

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

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

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

TEJON RANCH CO.

March 3, 2022
Date

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

March 3, 2022
Date

By: /s/ Robert D. Velasquez
Robert D. Velasquez
Senior Vice President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

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

Name	Capacity	Date
/s/ Steven A. Betts Steven A. Betts	Director	March 3, 2022
/s/ Gregory S. Bielli Gregory S. Bielli	Director	March 3, 2022
/s/ Jean Fuller Jean Fuller	Director	March 3, 2022
/s/ Susan Hori Susan Hori	Director	March 3, 2022
/s/ Anthony L. Leggio Anthony L. Leggio	Director	March 3, 2022
/s/ Norman Metcalfe Norman Metcalfe	Director	March 3, 2022
/s/ Frawn Morgan Frawn Morgan	Director	March 3, 2021
/s/ Geoffrey Stack Geoffrey Stack	Director	March 3, 2022
/s/ Daniel R. Tisch Daniel R. Tisch	Director	March 3, 2022
/s/ Michael H. Winer Michael H. Winer	Director	March 3, 2022

Annual Report on Form 10-K

Item 8, Item 15(a) (1) and (2), (b) and (c)

List of Financial Statements and Financial Statement Schedules

Financial Statements

Certain Exhibits

Year Ended December 31, 2021

Tejon Ranch Co.

Tejon Ranch, California

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

Tejon Ranch Co. and Subsidiaries

Index to Financial Statements and Financial Statement Schedules

ITEM 15(a)(1) - FINANCIAL STATEMENTS

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

ITEM 15(a)(2) - FINANCIAL STATEMENT SCHEDULES

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

Management's Report on Internal Control Over Financial Reporting

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

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

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

In connection with the preparation of the Company's annual financial statements, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), or COSO. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management did not identify any material weakness in the Company's internal control, and management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tejon Ranch Co. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 3, 2022, expressed an unqualified opinion on those financial statements based on our audit and the report of the other auditors.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California

March 3, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tejon Ranch Co. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, based on our audits and the report of the other auditors, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Petro Travel Plaza Holdings LLC (“Petro”), the Company's investment in which is accounted for by use of the equity method. The accompanying financial statements of the Company include its equity investment in Petro of $22,915,000 and $23,358,000 as of December 31, 2021 and 2020, respectively, and its equity earnings in Petro of $4,957,000, $5,722,000, and $8,810,000 for the years ended December 31, 2021, 2020, and 2019, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Petro, is based solely on the report of the other auditors.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting based on our audit.

Basis for Opinion

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

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

Critical Audit Matter

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

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

Critical Audit Matter Description

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

The Company makes significant assumptions to evaluate each real estate development for possible indications of impairment. These assumptions include the identification of appropriate and comparable market prices, the consideration of changes to legal factors or the business climate, and assumptions surrounding continued positive cash flows and development costs. Considering that the planned development communities will be in a location that does not currently have many comparable homes, the Company must make assumptions surrounding the expected ability to sell the real estate assets at a price that is in excess of current accumulated costs. In addition, the Company is currently involved in numerous litigation matters related to the entitlement of the property and must continue to use judgment when evaluating the likelihood that these legal matters will be resolved and that the necessary entitlements will be obtained. Changes in these assumptions could have a significant impact on the real estate development identified for further analysis and any impairments identified could be material to the Company's earnings. Further, the facts and circumstances utilized to make these assumptions may change from period to period. For the year ended December 31, 2021, no impairment loss has been recognized on any real estate development.

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

How the Critical Audit Matter Was Addressed in the Audit

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

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

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 3, 2022

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

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

	December 31	
	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 36,195	$ 55,320
Marketable securities - available-for-sale	10,983	2,771
Accounts receivable	6,473	4,592
Inventories	5,702	2,990
Prepaid expenses and other current assets	3,619	2,842
Total current assets	62,972	68,515
Real estate and improvements - held for lease, net	17,301	17,660
Real estate development (includes $112,063 at December 31, 2021 and $108,600 at December 31, 2020, attributable to Centennial Founders, LLC, Note 17)	319,030	310,439
Property and equipment, net	50,699	46,246
Investments in unconsolidated joint ventures	43,418	33,524
Net investment in water assets	50,997	56,698
Other assets	1,619	3,267
TOTAL ASSETS	$ 546,036	$ 536,349
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 4,545	$ 3,367
Accrued liabilities and other	3,451	3,305
Income taxes payable	1,217	—
Deferred income	1,907	1,972
Current maturities of long-term debt	4,475	4,295
Total current liabilities	15,595	12,939
Long-term debt, less current portion	48,155	52,587
Long-term deferred gains	8,409	5,550
Deferred tax liability	2,898	925
Other liabilities	14,468	19,017
Total liabilities	89,525	91,018
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 - 26,400,921 at December 31, 2021 and 26,276,830 at December 31, 2020	13,200	13,137
Additional paid-in capital	344,936	342,059
Accumulated other comprehensive loss	(6,822)	(9,720)
Retained earnings	89,835	84,487
Total Tejon Ranch Co. Stockholders' Equity	441,149	429,963
Non-controlling interest	15,362	15,368
Total equity	456,511	445,331
TOTAL LIABILITIES AND EQUITY	$ 546,036	$ 536,349

See accompanying notes.

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

	Year Ended December 31		
	2021	2020	2019
Revenues:			
Real estate - commercial/industrial	$ 19,476	$ 9,536	$ 16,792
Mineral resources	20,987	10,736	9,791
Farming	11,039	13,866	19,331
Ranch operations	4,111	3,692	3,609
Total revenues	55,613	37,830	49,523
Costs and expenses:			
Real estate - commercial/industrial	11,953	7,122	12,961
Real estate - resort/residential	1,723	1,612	2,247
Mineral resources	13,559	6,414	5,818
Farming	14,116	15,103	15,251
Ranch operations	4,679	4,896	5,316
Corporate expenses	9,843	9,430	9,361
Total expenses	55,873	44,577	50,954
Operating loss	(260)	(6,747)	(1,431)
Other income (loss):			
Investment income	57	884	1,239
Gain on sale of real estate	—	1,331	—
Other income (loss)	164	110	(1,824)
Total other income (loss)	221	2,325	(585)
Loss from operations before equity in earnings of unconsolidated joint ventures	(39)	(4,422)	(2,016)
Equity in earnings of unconsolidated joint ventures, net	9,202	4,504	16,575
Income before income taxes	9,163	82	14,559
Income tax expense	3,821	829	3,980
Net income (loss)	5,342	(747)	10,579
Net loss attributable to non-controlling interest	(6)	(7)	(1)
Net income (loss) attributable to common stockholders	$ 5,348	$ (740)	$ 10,580
Net income (loss) per share attributable to common stockholders, basic	$ 0.20	$ (0.03)	$ 0.41
Net income (loss) per share attributable to common stockholders, diluted	$ 0.20	$ (0.03)	$ 0.40

See accompanying notes.

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

	Year Ended December 31		
	2021	2020	2019
Net income (loss)	$ 5,342	$ (747)	$ 10,579
Other comprehensive (loss) income:			
Unrealized (loss) gain on available-for-sale securities	(14)	(46)	440
Benefit plan adjustments	866	(215)	135
SERP liability adjustments	331	(622)	(424)
Unrealized interest rate swap gain (loss)	2,841	(3,213)	(2,809)
Other comprehensive income (loss) before taxes	4,024	(4,096)	(2,658)
(Provision) benefit for income taxes related to other comprehensive income items	(1,126)	1,147	744
Other comprehensive income (loss)	2,898	(2,949)	(1,914)
Comprehensive income (loss)	8,240	(3,696)	8,665
Comprehensive loss attributable to non-controlling interests	(6)	(7)	(1)
Comprehensive income (loss) attributable to common stockholders	$ 8,246	$ (3,689)	$ 8,666

See accompanying notes.

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

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, December 31, 2018	25,972,080	$ 12,986	$ 336,520	$ (4,857)	$ 74,647	$ 419,296	$ 15,376	$ 434,672
Net income (loss)	—	—	—	—	10,580	10,580	(1)	10,579
Other comprehensive loss	—	—	—	(1,914)		(1,914)	—	(1,914)
Restricted stock issuance	221,267	110	(110)	—	—	—	—	—
Stock compensation	—	—	3,958	—	—	3,958	—	3,958
Shares withheld for taxes and tax benefit of vested shares	(96,550)	(48)	(1,623)	—	—	(1,671)	—	(1,671)
Balance, December 31, 2019	26,096,797	$ 13,048	$ 338,745	$ (6,771)	$ 85,227	$ 430,249	$ 15,375	$ 445,624
Net loss	—	—	—	—	(740)	(740)	(7)	(747)
Other comprehensive loss	—	—	—	(2,949)		(2,949)	—	(2,949)
Restricted stock issuance	338,074	169	(169)	—	—	—	—	—
Stock compensation	—	—	5,629	—	—	5,629	—	5,629
Shares withheld for taxes and tax benefit of vested shares	(158,041)	(80)	(2,146)	—	—	(2,226)	—	(2,226)
Balance, December 31, 2020	26,276,830	$ 13,137	$ 342,059	$ (9,720)	$ 84,487	$ 429,963	$ 15,368	$ 445,331
Net income (loss)	—	—	—	—	5,348	5,348	(6)	5,342
Other comprehensive income	—	—	—	2,898		2,898	—	2,898
Restricted stock issuance	227,250	114	(114)	—	—	—	—	—
Stock compensation	—	—	4,731	—	—	4,731	—	4,731
Shares withheld for taxes and tax benefit of vested shares	(103,159)	(51)	(1,740)	—	—	(1,791)	—	(1,791)
Balance, December 31, 2021	26,400,921	$ 13,200	$ 344,936	$ (6,822)	$ 89,835	$ 441,149	$ 15,362	$ 456,511

See accompanying notes.

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

	Twelve Months Ended December 31,		
	2021	2020	2019
Operating Activities			
Net income (loss)	$ 5,342	$ (747)	$ 10,579
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,594	4,938	5,036
Amortization of premium (discount) on marketable securities	111	34	(94)
Equity in earnings of unconsolidated joint ventures, net	(9,202)	(4,504)	(16,575)
Non-cash retirement plan expense	99	78	307
(Gain) on sale of real estate/assets	(12)	(1,339)	—
Non-cash profits recognized from land contribution	(2,784)	—	(2,146)
Profit from water sale[1]	(3,442)	—	—
Profit from land sales	(3,139)	—	—
Deferred income taxes	1,134	2,253	1,259
Stock compensation expense	4,271	4,494	3,198
Excess tax benefit of stock-based compensation	48	519	57
Non-cash write-off of leasing assets	—	110	1,604
Distribution of earnings from unconsolidated joint ventures	5,892	6,222	15,381
Changes in operating assets and liabilities:			
Receivables, inventories, prepaids and other assets, net	(814)	5,427	154
Current liabilities, net	718	(2,004)	(2,715)
Net cash provided by operating activities	2,816	15,481	16,045
Investing Activities			
Maturities and sales of marketable securities	6,249	41,843	53,418
Purchase of marketable securities	(14,586)	(5,610)	(28,219)
Real estate and equipment expenditures	(20,879)	(22,259)	(25,222)
Reimbursement proceeds from Communities Facilities District	135	4,223	4,180
Proceeds from sale of real estate/assets	63	2,000	—
Proceeds from sale of land	4,413	—	—
Investment in unconsolidated joint ventures	(2,900)	(2,160)	(3,100)
Distribution of equity from unconsolidated joint ventures	5,734	5,309	3,457
Investments in long-term water assets	(2,415)	(3,568)	(3,686)
Proceeds from water sales[1]	9,534	—	—
Net cash (used in) / provided by investing activities	(14,652)	19,778	828
Financing Activities			
Borrowings on line of credit	—	—	5,000
Repayments of line of credit	—	—	(5,000)
Repayments of long-term debt	(4,295)	(4,819)	(4,004)
Taxes on vested stock grants	(1,791)	(2,226)	(1,671)
Net cash used in financing activities	(6,086)	(7,045)	(5,675)
(Decrease) increase in cash and cash equivalents	(17,922)	28,214	11,198
Cash, cash equivalents, and restricted cash at beginning of year	55,320	27,106	15,908
Cash, cash equivalents, and restricted cash at end of year	$ 37,398	$ 55,320	$ 27,106

	Twelve Months Ended December 31,		
	2021	2020	2019
Reconciliation to amounts on consolidated balance sheets:			
Cash and cash equivalents	$ 36,195	$ 55,320	$ 27,106
Restricted cash (recorded in other assets)	1,203	—	—
Total cash, cash equivalents, and restricted cash	$ 37,398	$ 55,320	$ 27,106
Non-cash investing activities			
Accrued capital and water expenditures included in current liabilities	$ 1,342	$ 910	$ 785
Contribution to unconsolidated joint venture[2]	$ 8,464	$ —	$ 8,658
Long term deferred profit on land contribution[2]	$ 2,785	$ —	$ 2,038

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

Given the nature of our water assets and the aforementioned authoritative guidance, the Company estimates the appropriate classification of water assets purchased based on the timing of the sale of the water. Water purchased in prior periods that was classified as investing was
sold for $9.5 million in 2021, this cash inflow is appropriately classified in the Company's investing activities. The profit of $3.4 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 June 2021, the Company contributed land with a fair value of $8.5 million to TRC-MRC 4, LLC an unconsolidated joint venture formed to pursue the development, construction, leasing, and management of a 630,000 square foot industrial building on the Company's property at TRCC-East (defined herein). The total cost of the land was $2.9 million. The Company recognized $2.8 million in profit and deferred $2.8 million of profit after applying the five-step revenue recognition model in accordance with Accounting Standards Codification (ASC) Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.

In April 2019, the Company contributed land with a fair value of $5.9 million to TRC-MRC 3, LLC, an unconsolidated joint venture formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building on the Company's property at TRCC-East. The total cost of the land, inclusive of transaction costs was $2.8 million. The Company recognized $1.5 million in profit and deferred $1.5 million after applying the five-step revenue recognition model in accordance with Accounting Standards Codification (ASC) Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.

In December 2019, the Company contributed a newly constructed commercial multi-tenant building and underlying land with an aggregate fair value of $2.8 million to TA/Petro, an unconsolidated joint venture. The total cost of the building construction and land was $2.0 million. The Company recognized $0.3 million in profit and deferred $0.5 million after applying the five-step revenue recognition model in accordance with Accounting Standards Codification (ASC) Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.

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

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

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

These activities are performed through five reporting segments:

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

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

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

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

Principles of Consolidation

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

Cash Equivalents

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

Marketable Securities

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

Investments in Unconsolidated Joint Ventures

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

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

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

Fair Values of Financial Instruments

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

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

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

Interest Rate Swap Agreements

In October 2014, the Company entered into an interest rate swap agreement with Wells Fargo. In June, 2019, the Company amended the interest rate swap agreement to continue to hedge the Company's exposure to interest rate risk from the Term Note, and the subsequent Amended Term Note. See Note 8 (Line of Credit and Long-Term Debt) and Note 10 (Interest Rate Swap) of the Notes to Consolidated Financial Statements for further detail regarding this interest rate swap related to the Company's Credit Facility. The Company believes it is prudent at times to limit the variability of floating-rate interest payments and in the past have entered into interest rate swaps to manage those fluctuations.

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

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

Variable Interest Entity

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

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

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

As of December 31, 2021 and 2020, the Company had two VIEs. One was consolidated in the financial statements while the other was not. See Note 17 (Investment in Unconsolidated and Consolidated Joint Ventures) to the Notes to Consolidated Financial Statements for further discussion.

Credit Risk

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

Commercial revenues are derived primarily from lease rental payments and operating expense reimbursements. If client tenants fail to make rental payments under their lease, the Company's financial condition, and cash flows could be adversely affected. The Company records an allowance for doubtful accounts based on its judgment of a tenant's creditworthiness, ability to pay and probability of collection. Accounts are written off when they are deemed to be no longer collectible.

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

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

Farm Inventories

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

Property and Equipment

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

($ in thousands)	Useful Life	December 31, 2021	December 31, 2020
Vineyards and orchards	20	$ 62,877	$ 56,612
Machinery, furniture fixtures and other equipment	3 - 10	20,299	19,882
Buildings and improvements	10 - 27.5	8,858	8,819
Land and land improvements	15	7,835	7,807
Development in process		4,882	4,817
		$ 104,751	$ 97,937
Less: accumulated depreciation		(54,052)	(51,691)
		$ 50,699	$ 46,246

Long-Term Water Assets

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

Vineyards and Orchards

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

During the fourth quarter of 2019, the Company abandoned 313 acres of vineyards. As a result, the Company wrote off the $1,555,000 net book value related to these vineyards and other farming related assets which were previously included in the Property and equipment, net, line item within the Consolidated Balance Sheet. The $1,555,000 charge was recorded within the Other Income (Loss) line item within the Consolidated Statement of Operations.

At the time farm crops are harvested, contracted, and delivered to buyers and revenues can be estimated, revenues are recognized and any related inventoried costs are expensed, which traditionally occurs during the third and fourth quarters of each year. It is not unusual for portions of the Company's almond or pistachio crop to be sold in the year following the harvest. Orchard (almond and pistachio) revenues are based upon the contract settlement price or estimated selling price, whereas vineyard revenues are typically recognized at the contracted selling price. Estimated prices for orchard crops are based upon the quoted estimate of what the final market price will be by marketers and handlers of the orchard crops. These market price estimates are updated through the crop payment cycle as new information is received as to the final settlement price for the crop sold. These estimates are adjusted to actual upon receipt of final payment for the crop. This method of recognizing revenues on the sale of orchard crops is a standard practice within the agribusiness community. Adjustments for differences between estimates and actual revenues received are recorded during the period in which such amounts become known. The net effect of these adjustments increased farming revenue by $365,000 in 2021, $890,000 in 2020, and $3,746,000 in 2019. The adjustment for 2021 includes a $365,000 increase for pistachio revenues and no change for almonds. The adjustment for 2020 includes a $890,000 increase for pistachio revenues and no change for almonds. The adjustment for 2019 includes a $3,807,000 increase for pistachio revenues and a $61,000 decrease for almonds.

The Almond Board of California has the authority to require producers of almonds to withhold a portion of their annual production from the marketplace through a marketing order approved by the Secretary of Agriculture. At December 31, 2021, 2020, and 2019, no such withholding was mandated.

Common Stock Options and Grants

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

Long-Lived Assets

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

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

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

As of December 31, 2021, management of the Company believes that none of its long-lived assets were impaired.

Revenue Recognition

The Company’s revenue is primarily derived from lease revenue from its rental portfolio, royalty revenue from mineral leases, sales of farm crops, sales of water, and land sales. On January 1, 2018, the Company implemented ASU 2014-09 “Revenue with Contracts from Customers (Topic 606)" (ASC 606). ASU 2014-09 supersedes all previous revenue recognition guidance, including industry-specific guidance. The Company recognizes revenue by following the five-step model under ASC 606 to achieve the core principle that an entity recognizes revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step model requires that the Company (i) identifies the contract with the customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocates the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

Sales of Real Estate

Upon adoption of ASC 606, the Company is required to allocate the transaction price, on land sales with multiple performance obligations, to the performance obligations in proportion to their standalone selling prices (i.e., on a relative standalone selling price basis) and not total costs.

Sales of Easements

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

Allocation of Costs Related to Land Sales and Leases

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

Royalty Income

Royalty revenues are contractually defined as to the percentage of royalty and are tied to production and market prices. The Company’s royalty arrangements generally require payment on a monthly basis with the payment based on the previous month’s activity. The Company accrues monthly royalty revenues based upon estimates and adjusts to actual as the Company receives payments. The accounting of royalty income remains largely unchanged upon implementation of ASC 606.

Rental Income

Rental income from leases is recognized on a straight-line basis over the respective lease terms. The Company classifies amounts currently recognized as income, and amounts expected to be received in later years, as deferred rent in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Amounts received currently, but recognized as income in future years, are classified in accrued liabilities and other, and deferred income in the accompanying consolidated balance sheets. The Company commences recognition of rental income at the date the property is ready for its intended use, and the client tenant takes possession of or controls the physical use of the property.

During the term of each lease, the Company monitors the credit quality of its tenants by (i) reviewing the credit rating of tenants that are rated by a nationally recognized credit rating agency, (ii) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to the Company pursuant to the applicable lease, (iii) monitoring news reports regarding its tenants and their respective businesses, and (iv) monitoring the timeliness of lease payments. The Company has employees who are assigned the responsibility for assessing and monitoring the credit quality of its tenants and any material changes in credit quality.

Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company’s commitment to a formal plan of action. No liabilities for environmental costs have been recorded at December 31, 2021 and 2020.

Use of Estimates

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

New Accounting Pronouncements Adopted in 2021

Reference Rate Reform

In March 2020, the FASB issued Accounting Standards Update, or ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting", for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The pronouncement provides optional expedients for a limited period of time to ease the potential burden of accounting for reference rate reform. Specifically, the ASU permits modification of contracts within ASC Topic 470, Debt, to be accounted for by prospectively adjusting the effective interest rate when a contract is modified because of reference rate reform. It also provides exceptions to the guidance in ASC Topic 815 related to changes to critical terms of a hedging relationship: the change in reference rate will not result in de-designation of a hedging relationship if certain criteria are met. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022. This pronouncement has not had, and is not expected to have, a material effect on the consolidated financial statements.

2. EQUITY

Earnings Per Share (EPS)

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

	Twelve Months Ended December 31,		
	2021	2020	2019
Weighted average number of shares outstanding:			
Common stock	26,343,352	26,205,923	26,031,391
Common stock equivalents: stock options, grants	70,662	140,527	117,724
Diluted shares outstanding	26,414,014	26,346,450	26,149,115

3. MARKETABLE SECURITIES

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

($ in thousands)		2021		2020	
Marketable Securities:	Fair Value Hierarchy	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Certificates of deposit					
with unrecognized losses for less than 12 months		$ 401	$ 400	$ —	$ —
with unrecognized gains		—	—	—	—
Total Certificates of deposit	Level 1	401	400	—	—
U.S. Treasury and agency notes					
with unrecognized losses for less than 12 months		1,360	1,358	—	—
with unrecognized gains		—	—	801	803
Total U.S. Treasury and agency notes	Level 2	1,360	1,358	801	803
Corporate notes					
with unrecognized losses for less than 12 months		9,231	9,225	708	707
with unrecognized gains		—	—	1,257	1,261
Total Corporate notes	Level 2	9,231	9,225	1,965	1,968
		$ 10,992	$ 10,983	$ 2,766	$ 2,771

The Company adopted ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)" on January 1, 2020 prospectively. Under ASC Topic 326-30, the Company is now required to use an allowance approach when recognizing credit loss for available-for-sale debt securities, measured as the difference between the security's amortized cost basis and the amount expected to be collected over the security's lifetime. Under this approach, at each reporting date, the Company records impairment related to credit losses through earnings offset with an allowance for credit losses, or ACL. At December 31, 2021 the Company has not recorded any credit losses.

At December 31, 2021, the fair market value of investment securities was $9,000 below the cost basis of securities. The Company’s gross unrealized holding gains equal zero and gross unrealized holding losses equal $9,000. As of December 31, 2021, the adjustment to accumulated other comprehensive loss in consolidated equity for the temporary change in the value of securities reflects a decrease in the market value of available-for-sale securities of $14,000, which includes estimated taxes of $4,000.

The Company elected to exclude applicable accrued interest from both the fair value and the amortized cost basis of the available-for-sale debt securities, and separately present the accrued interest receivable balance per ASC Topic 326-30-50-3A. The accrued interest receivables balance totaled $53,000 as of December 31, 2021, and was included within the Prepaid expenses and other current assets line item of the Consolidated Balance Sheets. The Company elected not to measure an allowance for credit losses on accrued interest receivable as an allowance on possible uncollectible accrued interest is not warranted.

U.S. Treasury and agency notes

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

Corporate notes

The contractual terms of those investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investments. The unrealized losses on corporate notes are a function of changes in investment spreads and interest rate movements and not changes in credit quality. The Company expects to recover the entire amortized cost basis of these securities. As of December 31, 2021 and December 31, 2020, the Company did not intend to sell these securities and it is not more-likely-than-not that the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of December 31, 2021 and December 31, 2020.

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

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

December 31, 2020	2021	Total
U.S. Treasury and agency notes	801	801
Corporate notes	1,950	1,950
	$ 2,751	$ 2,751

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

4. INVENTORIES

Inventories consisted of the following at December 31:

($ in thousands)	2021	2020
Farming inventories	$ 5,377	$ 2,636
Other	325	354
	$ 5,702	$ 2,990

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

5. REAL ESTATE

Real estate consisted of the following as of December 31:

($ in thousands)	2021	2020
Real estate development		
Mountain Village	$ 150,668	$ 146,662
Centennial	112,063	108,600
Grapevine	37,922	36,815
Tejon Ranch Commerce Center	18,377	18,362
Real estate development	319,030	310,439
Real estate and improvements - held for lease, net		
Tejon Ranch Commerce Center	20,595	20,595
Real estate and improvements - held for lease, net	20,595	20,595
Less accumulated depreciation	(3,294)	(2,935)
Real estate and improvements - held for lease, net	$ 17,301	$ 17,660

6. LONG-TERM WATER ASSETS

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

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

The initial term of the water purchase agreement with Nickel runs to 2044 and includes a Company option to extend the contract for an additional 35 years. The purchase cost of water in 2021 was $817 per acre-foot. The purchase cost is subject to annual cost increases based on the greater of the consumer price index or 3%.

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

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

($ in thousands)	2021	2020	2019
Acre-Feet Sold	13,651	5,022	4,482
Revenues	$ 15,523	$ 5,909	$ 3,997
Cost of sales	10,669	3,663	3,194
Profit	$ 4,854	$ 2,246	$ 803

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

	December 31, 2021	December 31, 2020
Banked water and water for future delivery	$ 25,020	$ 28,136
Transferable water	2,879	4,102
Total water held for future use at cost	$ 27,899	$ 32,238

Intangible Water Assets

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

	December 31, 2021		December 31, 2020	
	Costs	Accumulated Depreciation	Costs	Accumulated Depreciation
Dudley-Ridge water rights	$ 11,581	$ (5,307)	$ 11,581	$ (4,825)
Nickel water rights	18,740	(5,247)	18,740	(4,605)
Tulare Lake Basin water rights	6,479	(3,148)	6,479	(2,910)
	$ 36,800	$ (13,702)	$ 36,800	$ (12,340)
Net cost of purchased water contracts	23,098		24,460	
Total cost water held for future use	27,899		32,238	
Net investments in water assets	$ 50,997		$ 56,698	

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

(in acre feet, unaudited)	December 31, 2021	December 31, 2020
Water held for future use		
TCWD - Banked water owned by the Company	56,189	61,054
Company water bank	50,349	50,349
Transferable water	4,203	5,638
Total water held for future use	110,741	117,041
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWSD - Contracts with Company	15,547	15,547
TCWD - Contracts with Company	5,749	5,749
Total purchased water contracts	31,433	31,433
Total water held for future use and purchased water contracts	142,174	148,474

Tejon Ranchcorp, or Ranchcorp, a wholly-owned subsidiary of Tejon Ranch Co., entered into a Water Supply Agreement with PEF in 2015. PEF is the current lessee under the power plant lease. Pursuant to the Water Supply Agreement, PEF may purchase from Ranchcorp up to 3,500 acre-feet of water per year from January 1, 2017 through July 31, 2030, with an option to extend the term. PEF is under no obligation to purchase water from Ranchcorp in any year, but is required to pay Ranchcorp an annual option payment equal to 30% of the maximum annual payment. The price of the water under the Water Supply Agreement for 2021 was $1,188 per acre-foot of annual water, subject to 3% annual increases over the life of the contract. The Water Supply Agreement contains other customary terms and conditions, including representations and warranties, which are typical for agreements of this type. The Company's commitments to sell water can be met through current water assets.

7. ACCRUED LIABILITIES AND OTHER

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

($ in thousands)	2021	2020
Accrued vacation	$ 782	$ 736
Accrued paid personal leave	356	399
Accrued bonus	2,062	1,658
Other	251	512
	$ 3,451	$ 3,305

8. LINE OF CREDIT AND LONG-TERM DEBT

Debt consisted of the following as of December 31:

($ in thousands)	2021	2020
Notes payable	$ 52,784	$ 57,078
Less: line-of-credit and current maturities of long-term debt	(4,475)	(4,295)
Less: deferred loan costs	(154)	(196)
Long-term debt, less current portion	$ 48,155	$ 52,587

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

($ in thousands)	Stated Rate	Effective Rate	Maturity	2022	2023	2024	2025	2026	Thereafter	Total
Term Loan[1]	L+1.70%	4.16%	6/5/2029	$ 4,221	$ 4,429	$ 4,624	$ 4,825	$ 5,038	$ 27,700	$ 50,837
$35 million RLOC	See below[2]	See below[2]	10/5/2024	—	—	—	—	—	—	—
Promissory note	4.25%	4.25%	9/1/2028	254	265	277	289	302	560	1,947
Total long-term debt				$ 4,475	$ 4,694	$ 4,901	$ 5,114	$ 5,340	$ 28,260	$ 52,784

[1]The interest on the Term Loan is fixed by an interest rate swap agreement. Please see Footnote 10 for further discussion.

[2]At the Company's option, the interest rate on this line of credit can float at 1.50% over a selected LIBOR rate or can be fixed at 1.50% above LIBOR for a fixed rate term.

9. OTHER LIABILITIES

Other liabilities consist of the following as of December 31:

($ in thousands)	2021	2020
Pension liability (See Note 15)	$ 185	$ 1,602
Interest rate swap liability (See Note 10)	3,088	5,929
Supplemental executive retirement plan liability (See Note 15)	7,847	8,419
Other[1]	3,348	3,067
	$ 14,468	$ 19,017

[1] For two of the joint ventures with Majestic Realty Co., excess distributions were made and are classified as a liability. See further disclosure in Note 17 (Investment In Unconsolidated and Consolidated Joint Ventures).

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

10. INTEREST RATE SWAP

In October 2014, the Company entered into an interest rate swap agreement to hedge cash flows tied to changes in the underlying floating interest rate tied to LIBOR for the Term Loan as discussed in Note 8 (Line of Credit and Long-Term Debt) of the Notes to Consolidated Financial Statements. On June 21, 2019, the Company amended the interest rate swap agreement to continue to hedge a portion of its exposure to interest rate risk from the Term Note, and subsequently, the Amended Term Note. The original hedging relationship was de-designated, and the amended interest rate swap was re-designated simultaneously. The amended interest rate swap qualified as an effective cash flow hedge at the initial assessment based upon a regression analysis and is recorded at fair value.

During the quarter ended December 31, 2021, the interest rate swap agreement was deemed highly effective. Changes in fair value, including accrued interest and adjustments for non-performance risk, that qualify as cash flow hedges are classified in AOCI. Amounts classified in AOCI are subsequently reclassified into earnings in the period during which the hedged transactions affect earnings.

As of December 31, 2021, the fair value of the interest rate swap agreement was less than its cost basis and as such is recorded within Other Liabilities on the Consolidated Balance Sheets. The Company had the following outstanding interest rate swap agreement designated as an interest rate cash flow hedge as of ($ in thousands):

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

December 31, 2020					
Effective Date	Maturity Date	Fair Value Hierarchy	Weighted Average Interest Pay Rate	Fair Value	Notional Amount
July 5, 2019	June 5, 2029	Level 2	4.16%	$(5,929)	$54,887

11. STOCK COMPENSATION - RESTRICTED STOCK AND PERFORMANCE SHARE GRANTS

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

The following is a summary of the Company's performance share grants with performance conditions as of the year ended December 31, 2021:

Performance Share Grants with Performance Conditions	
Threshold performance	32,282
Target performance	515,919
Maximum performance	924,338

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

	December 31, 2021	December 31, 2020	December 31, 2019
Stock Grants Outstanding Beginning of the Year at Target Achievement	840,307	409,373	538,599
New Stock Grants/Additional shares due to achievement in excess of target	63,622	797,364	160,471
Vested Grants	(196,328)	(307,250)	(188,032)
Expired/Forfeited Grants	(23,956)	(59,180)	(101,665)
Stock Grants Outstanding at Target Achievement	683,645	840,307	409,373

The following is a summary of the assumptions used to determine the price for the Company's market-based Performance Condition Grants for the year ended December 31, 2021:

($ in thousands except for share prices)				
Grant date	December 12, 2019	March 11, 2020	December 11, 2020	March 18, 2021
Vesting end	December 31, 2022	December 31, 2022	December 31, 2023	March 18, 2024
Share price at target achievement	$18.80	$16.36	$17.07	$20.02
Expected volatility	17.28%	18.21%	29.25%	30.30%
Risk-free interest rate	1.69%	0.58%	0.19%	0.33%
Simulated Monte Carlo share price	$11.95	$5.87	$15.59	$18.82
Shares granted	6,327	81,716	3,628	10,905
Total fair value of award	$76	$480	$57	$205

The unamortized cost associated with unvested stock grants and the weighted-average period over which it is expected to be recognized as of December 31, 2021 was $3,818,000 and 13 months respectively. The fair value of restricted stock with time-based vesting features is based upon the Company’s share price on the date of grant and is expensed over the service period. Fair value of performance grants that cliff vest based on the achievement of performance conditions is based on the share price of the Company’s stock on the day of grant once the Company determines that it is probable that the award will vest. This fair value is expensed over the service period applicable to these grants. For performance grants that contain a range of shares from zero to maximum the Company determines, based on historic and projected results, the probability of (1) achieving the performance objective, and (2) the level of achievement. Based on this information, the Company determines the fair value of the award and measure the expense over the service period related to these grants. Because the ultimate vesting of all performance grants is tied to the achievement of a performance condition, the Company estimates whether the performance condition will be met and over what period of time. Ultimately, the Company adjusts compensation cost according to the actual outcome of the performance condition. Under the Non-Employee Director Stock Incentive Plan, or NDSI Plan, each non-employee director, during the years presented, received his or her annual compensation in stock.

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

Employee 1998 Plan ($ in thousands):	December 31, 2021	December 31, 2020	December 31, 2019
Expensed	$ 3,742	$ 4,060	$ 2,667
Capitalized	460	1,135	760
	4,202	5,195	3,427
NDSI Plan	529	434	531
	$ 4,731	$ 5,629	$ 3,958

12. INCOME TAXES

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

($ in thousands)	2021	2020	2019
Total provision (benefit):	$ 3,821	$ 829	$ 3,980
Federal:			
Current	1,960	(852)	1,798
Deferred	620	1,464	866
	2,580	612	2,664
State:			
Current	937	(21)	812
Deferred	304	238	504
	1,241	217	1,316
	$ 3,821	$ 829	$ 3,980

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was enacted, which includes a five year net operating loss carryback provision which will enable the Company to benefit from certain losses. This provision applies to net operating losses occurring between December 31, 2017 and January 1, 2021 and temporarily nullifies provisions within the Tax Cuts Jobs Act of 2017 that disallows net operating loss carrybacks. Under these guidelines, the Company has carried back 2020 tax losses and expects to receive a Federal tax refund of $954,000.

In 2021, income tax provision expense primarily consisted of permanent differences related to Section 162(m) limitations and discrete tax expense associated with stock compensation. The Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts Jobs Act, which first impacted the Company in 2020. The discrete item was triggered when stock grants were issued to participants at a price less than the original grant price, causing a deferred tax shortfall. The shortfall recognized during the quarter represents the reversal of excess deferred tax assets recognized in prior periods. The recognition of the shortfall is not anticipated to have an impact on the Company's current income tax payable. Lastly, the Company recorded a one time deferred tax liability true-up associated with stock compensation. A reconciliation of the provision for income taxes, with the amount computed by applying the statutory Federal income tax rate of 21% in 2021, 2020 and 2019 is as follows for the years ended December 31:

($ in thousands)	2021	2020	2019
Income tax at statutory rate	$ 1,924	$ 17	$ 3,058
State income taxes, net of Federal benefit	802	217	948
Excess stock compensation expense	34	365	(57)
Non-deductible compensation	539	357	—
Oil and mineral depletion	(108)	(101)	(131)
Refunds	—	(78)	—
Permanent differences	26	16	26
Stock compensation true-up	641	—	—
Other	(37)	36	136
Provision (benefit) for income taxes	$ 3,821	$ 829	$ 3,980
Effective tax rate	41.7 %	1,011.0 %	27.3 %

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

($ in thousands)	2021	2020
Deferred income tax assets:		
Accrued expenses	$ 429	$ 322
Deferred revenues	544	557
Capitalization of costs	1,390	1,661
Pension adjustment	2,342	2,921
Stock grant expense	2,046	2,211
State deferred taxes	194	—
Book deferred gains	2,297	1,034
Joint venture allocations	593	587
Provision for additional capitalized costs	699	699
Interest rate swap	921	1,769
Other	77	209
Total deferred income tax assets	$ 11,532	$ 11,970
Deferred income tax liabilities:		
Deferred gains	$ 1,321	$ 490
Depreciation	3,722	3,533
Cost of sales allocations	872	872
Joint venture allocations	6,367	6,592
Capitalized stock compensation	958	—
Straight line rent	412	548
Prepaid expenses	399	340
State deferred taxes	190	383
Other	189	137
Total deferred income tax liabilities	$ 14,430	$ 12,895
Net deferred income tax (liability)	$ (2,898)	$ (925)
Allowance for deferred tax assets	—	—
Net deferred taxes	$ (2,898)	$ (925)

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

The Company made $730,000 in estimated tax payments in 2021 and none in 2020. The Company received tax refunds of $483,000 and $1,314,000 in 2021 and 2020, respectively.

The Company evaluates its tax positions for all income tax items based on their technical merits to determine whether each position satisfies the "more likely than not to be sustained upon examination" test. The tax benefits are then measured as the largest amount of benefit, determined on a cumulative basis, that is "more likely than not" to be realized upon ultimate settlement. As a result of this evaluation, the Company determined there were no uncertain tax positions that required recognition and measurement for the years ended December 31, 2021 and 2020 within the scope of ASC 740, "Income Taxes." Tax years from 2018 to 2020 and 2017 to 2020 remain available for examination by the Federal and California State taxing authorities, respectively.

13. LEASES

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

($ in thousands)	2021	2020	2019
Base rent	$ 6,672	$ 6,471	$ 6,554
Percentage rent	$ 705	$ 949	$ 1,024

Future minimum rental income on commercial, communication and right-of-way on non-cancelable leases as of December 31, 2021 ($ in thousands):

2022	2023	2024	2025	2026	Thereafter
$ 6,375	$ 5,565	$ 5,435	$ 5,241	$ 4,603	$ 12,706

14. COMMITMENTS AND CONTINGENCIES

The Company's land is subject to water contracts of which $11,452,000 is expected to be paid in 2022. These estimated water contract payments consist of SWP, contracts with Wheeler Ridge Maricopa Water Storage District, TCWD, Tulare Lake Basin Water Storage District, Dudley-Ridge Water Storage District and the Nickel water contract. The SWP contracts run through 2035 and the Nickel water contract runs through 2044, with an option to extend an additional 35 years. As discussed in Note 6 (Long-Term Water Assets), the Company purchased the assignment of a contract to purchase water in late 2013. The assigned water contract is with Nickel and obligates the Company to purchase 6,693 acre-feet of water annually through the term of the contract. The Company's contractual obligation for future water payments was $285,566,000 as of December 31, 2021 .

As of December 31, 2021, the Company has fulfilled its financial obligations to the Tejon Ranch Conservancy as prescribed in the Conservation Agreement that was entered into with five major environmental organizations in 2008.

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

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

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

The Company is obligated, as a landowner in each CFD, to pay its share of the special taxes assessed each year. The secured lands include both the TRCC-West and TRCC-East developments. Proceeds from the sale of West CFD bonds went to reimburse the Company for public infrastructure costs related to the TRCC-West development. At December 31, 2021 there were no additional improvement funds remaining from West CFD bonds. There are $15,647,940 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. During 2021, the Company paid approximately $2,860,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. This amount could change in the future based on the amount of bonds outstanding and the amount of taxes paid by others. The assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate and the assessed

value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2021.

Tehachapi Uplands Multiple Species Habitat Conservation Plan Approval

In July 2014, the Company received a copy of a Notice of Intent to Sue, dated July 17, 2014, indicating that the Center for Biological Diversity, or CBD, the Wishtoyo Foundation and Dee Dominguez (collectively the TUMSHCP Plaintiffs) intended to initiate a lawsuit against the U.S. Fish and Wildlife Service, or USFWS, challenging USFWS's approval of the Company's Tehachapi Uplands Multiple Species Habitat Conservation Plan, or TUMSHCP, and USFWS's issuance of an Incidental Take Permit, or ITP, for the take of federally listed species. The TUMSHCP approval and ITP issuance by the USFWS occurred in 2013. These approvals authorize, among other things, the removal of California condor habitat associated with the Company's potential future development of MV.

On April 25, 2019, the TUMSHCP Plaintiffs filed suit against the USFWS in the U.S. District Court for the Central District of California in Los Angeles (Case No. 2:19-CV-3322) (the TUMSHCP Suit). The Company was not initially named as a party in the TUMSHCP Suit and brought a motion to intervene, which the court granted. The TUMSHCP Suit seeks to invalidate the TUMSHCP as it pertains to the protection of the California condor (an endangered species), as well as the ITP.

The primary allegations in the TUMSHCP Suit are that California condors or their habitat are “Traditional Cultural Properties” within the meaning of the National Historic Preservation Act (NHPA), that the USFWS failed to take into account the impact of the TUMSHCP and ITP on these “Traditional Cultural Properties” and failed to adequately consult with affected Native American tribes or their representatives with respect to these “Traditional Cultural Properties.”

Management considers the allegations in the TUMSHCP Suit to be beyond the scope of the law and regulations referenced in the TUMSHCP Suit and believes that the issues raised by the TUMSHCP Plaintiffs were adequately addressed by USFWS during the consultation process with Native American tribes. The Company has supported USFWS's efforts to vigorously defend this matter during this litigation.

In a December 18, 2019 ruling, the court ordered that the parties proceed to bring motions for summary judgment on the question of whether the USFWS correctly determined that the California condor is not a “Traditional Cultural Property” under the NHPA. In response to this order, both the TUMSHCP Plaintiffs and the USFWS and the Company filed cross-motions for summary judgment.

On December 4, 2020, the court issued an order denying, in its entirety, the TUMSHCP Plaintiffs’ motions for summary judgment and granted, in their entirety, USFWS and the Company’s motions for summary judgment. On December 18, 2020, the Company brought a motion to recover attorneys’ fees and costs, as the prevailing party, against the TUMSHCP Plaintiffs.

On February 2, 2021, the court denied the fee motion. Following the court’s ruling on the fee motion, on February 2, 2021, Plaintiffs notified the court of their intent to appeal the court’s ruling on their claims. On April 2, 2021, the Ninth Circuit Court of Appeal issued a revised briefing schedule that required opening and responsory briefs to be filed in May and June 2021. On September 16, 2021, the Plaintiffs and the US Fish and Wildlife Service and the Tejon Ranchcorp and Tejon Mountain Village, LLC, as Intervenor-Defendant, entered into a settlement agreement wherein the Plaintiff’s agreed to dismiss their appeal with prejudice in exchange for the Service agreeing no assert among other positions in any future judicial or administrative proceeding or rulemaking petition that Plaintiff’s dismissal constitutes an acknowledgement, admission or concession that an animal is not Traditional Cultural Property under the National Historic Preservation Act. On October 4, 2021, the Ninth Circuit issued an order dismissing the appeal. With the issuance of the order, the appeal is permanently dismissed and the TUMSHCP Suit cannot be relitigated and the permit issued to the Company stays in effect.

National Cement

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

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

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

Antelope Valley Groundwater Cases

On November 29, 2004, a conglomerate of public water suppliers filed a cross-complaint in the Los Angeles Superior Court against landowners and others with interest in the groundwater basin within the Antelope Valley (including the Company) seeking a judicial determination of the rights to groundwater within the Antelope Valley basin, including the groundwater underlying the Company's land near the Centennial project. Four phases of a multi-phase trial have been completed. Upon completion of the third phase, the court ruled that the groundwater basin was in overdraft and established a current total sustainable yield. The fourth phase of trial occurred in the first half of 2013 and resulted in confirmation of each party's groundwater pumping for 2011 and 2012. The fifth phase of the trial commenced in February 2014 and concerned 1) whether the United States has a federal reserved water right to basin groundwater, and 2) the rights to return flows from imported water. The court heard evidence on the federal reserved right but continued the trial on the return flow issues while most of the parties to the adjudication discussed a settlement, including rights to return flows. In February 2015, more than 140 parties representing more than 99% of the current water use within the adjudication boundary agreed to a settlement. On March 4, 2015, the settling parties, including the Company, submitted a Stipulation for Entry of Judgment and Physical Solution to the court for approval. On December 23, 2015, the court entered judgment approving the Stipulation for Entry of Judgment and Physical Solution, or the Judgment. The Company's water supply plan for the Centennial project anticipated reliance on, among other sources, a certain quantity of groundwater underlying the Company's lands in the Antelope Valley. The Company's allocation in the Judgment is consistent with that amount. Prior to the Judgment becoming final, on February 19 and 22, 2016, several parties, including the Willis Class (Willis), Phelan Pinon Hills Community Services District (Phelan), and Charles Tapia (Tapia) filed notices of appeal from the Judgment (collectively, the Phelan Appeal). The Phelan Appeal was transferred from the Court of Appeal, Fourth Appellate District of California to the Court of Appeal, Fifth Appellate District of California, or the Fifth District Court of Appeal.

On December 9, 2020, the Fifth District Court of Appeal affirmed the Judgment as to the Phelan Appeal, and the decision is now final. On March 16, 2021, the Fifth District Court of Appeal issued two decisions affirming the Judgment as to both Willis and Tapia. The Tapia decision is now final. The Willis Class filed a Petition for Rehearing which was denied on April 6, 2021. On May 14, 2021, the Willis Class filed a petition for review to the California Supreme Court which was denied on July 21, 2021. The Willis decision is now final. Following the resolution of these challenges, the Judgement is now final.

The parties, with assistance from the court, have established the Watermaster Board, hired the Watermaster Engineer and Watermaster Legal Counsel, and begun administering the physical solution consistent with the Judgment.

Summary and Status of Kern Water Bank Lawsuits

On June 3, 2010, the Central Delta and South Delta Water Agencies and several environmental groups, including CBD, collectively, the Central Delta Petitioners, filed a complaint in the Sacramento County Superior Court, or the Central Delta Action, against the California Department of Water Resources, or DWR, Kern County Water Agency, or KCWA, and a number of "real parties in interest," including the Company and TCWD. The lawsuit challenges certain amendments to the SWP contracts that were originally approved in 1995, known as the Monterey Amendments. The Central Delta Petitioners sought to invalidate the DWR's approval of the Monterey Amendments and also the 2010 environmental impact report, or 2010 EIR, regarding the Monterey Amendments prepared pursuant to the California Environmental Quality Act, or CEQA, pertaining to the Kern Water Bank, or KWB. Pursuant to the Monterey Amendments, DWR transferred approximately 20,000 acres in Kern County owned by DWR, or KWB property, to the KCWA.

A separate but parallel lawsuit, or Central Delta II, was also filed by the Central Delta Petitioners in Kern County Superior Court on July 2, 2010, against KCWA, also naming the Company and TCWD as real parties in interest. Central Delta II challenged the validity of the transfer of the KWB property from the KCWA to the Kern Water Bank Authority, or KWBA. The petitioners in this case alleged that (i) the transfer of the KWB property by KCWA to the KWBA was an unconstitutional gift of public funds, and (ii) the consideration for the transfer of the KWB property to the KWBA was unconscionable and illusory. This case has been stayed pending the outcome of the Central Delta Action.

In addition, another lawsuit was filed in Kern County Superior Court on June 3, 2010, by two districts adjacent to the KWB, namely Rosedale Rio Bravo and Buena Vista Water Storage Districts (collectively, the Rosedale Petitioners), asserting that the 2010 EIR did not adequately evaluate potential impacts arising from operations of the KWB, or Rosedale Action, but this lawsuit did not name the Company: it only named TCWD. TCWD has a contract right for water stored in the KWB and rights to recharge and withdraw water. This lawsuit was later moved to the Sacramento County Superior Court.

In the Central Delta Action and Rosedale Action, the trial courts concluded that the 2010 EIR for the Monterey Amendments was insufficient with regard to the EIR's evaluation of the potential impacts of the operation of the KWB, particularly on groundwater and water quality, and ruled that DWR was required to prepare a remedial EIR (which is further described below). In the Central Delta Action, the trial court also concluded that the challenges to DWR's 1995 approval of the Monterey Amendments were barred by statutes of limitations and laches. The Central Delta Petitioners appealed the Sacramento County

Superior Court Judgment, and certain real parties filed a cross-appeal. No party appealed the Kern County Superior Court Judgment in the Rosedale Action.

On November 24, 2014, the Sacramento County Superior Court in the Central Delta Action issued a writ of mandate, or 2014 Writ, that required DWR to prepare a revised EIR (described herein as the 2016 EIR because it was certified in 2016) regarding the Monterey Amendments evaluating the potential operational impacts of the KWB. The 2014 Writ, as revised by the court, required DWR to certify the 2016 EIR and file the response to the 2014 Writ by September 28, 2016. On September 20, 2016, the Director of DWR (a) certified the 2016 EIR prepared by DWR as in compliance with CEQA, (b) adopted findings, a statement of overriding considerations, and a mitigation, monitoring and reporting program as required by CEQA, (c) made a new finding pertaining to carrying out the Monterey Amendments through continued use and operation of the KWB by the KWBA, and (d) caused a notice of determination to be filed with the Office of Planning and Resources of the State of California on September 22, 2016. On September 28, 2016, DWR filed with the Sacramento County Superior Court its return to the 2014 Writ in the Central Delta Action.

On October 21, 2016, the Central Delta Petitioners and a new party, the Center for Food Safety (CFS) (collectively, the CFS Petitioners), filed a new lawsuit in Sacramento County Superior Court, (the CFS Action), against DWR and naming a number of real parties in interest, including KWBA and TCWD (but not including the Company). The CFS Action challenges DWR's (i) certification of the 2016 EIR, (ii) compliance with the 2014 Writ and CEQA, and (iii) finding concerning the continued use and operation of the KWB by KWBA. On October 2, 2017, the Sacramento County Superior Court issued a ruling that the court shall deny the CFS petition and shall discharge the 2014 Writ. The CFS Petitioners appealed the Sacramento County Superior Court judgment denying the CFS petition. The Third Appellate District of the Court of Appeal granted DWR's motion to consolidate the CFS Action appeal for hearing with the pending appeals in the Central Delta Action.

On July 19, 2021 the Court of Appeal heard oral argument on the appeals in the Central Delta Action and the CFS Action. On September 22, 2021 the Court of Appeal issued its opinion unanimously affirming the judgments of the Superior Court in the Central Delta Action and in the CFS Action, including the Superior Court ruling that the Central Delta Petitioners' challenges to the 1995 approval of the Monterey Amendments and the transfer of the KWB property were time-barred by statutes of limitations. The Central Delta Petitioners and the CFS Petitioners filed Petitions for Review of the Opinion of the Court of Appeal with the California Supreme Court. On January 5, 2022 the California Supreme Court denied the Petitions for Review.

On January 13, 2022 the Central Delta Petitioners filed the Request for Dismissal with prejudice. The entry of the dismissal in Central Delta II by the Superior Court has concluded all of the above actions.

Grapevine

On December 6, 2016, the Kern County Board of Supervisors unanimously granted entitlement approval for the Grapevine project. On January 5, 2017, the CBD and CFS, filed an action in Kern County Superior Court pursuant to CEQA against Kern County and the Kern County Board of Supervisors, or collectively, the County, concerning the County's granting of the 2016 approvals for the Grapevine project, including certification of the final EIR (the 2017 Action). The Company was named as a real party in interest in the 2017 Action. The 2017 Action alleged that the County failed to properly follow the procedures and requirements of CEQA, including failure to identify, analyze and mitigate impacts to air quality, greenhouse gas emissions, biological resources, traffic, water supply and hydrology, growth inducing impacts, failure to adequately consider project alternatives and to provide support for the County's findings and statement of overriding considerations in adopting the EIR and failure to adequately describe the environmental setting and project description. Petitioners sought to invalidate the County's approval of the project and the environmental approvals and require the Company and the County to revise the environmental documentation.

On July 27, 2018, the court held a hearing on the petitioners' claims in the 2017 Action. At that hearing, the court rejected all of petitioners' claims raised in the litigation, except petitioners' claims that (i) the project description was inadequate and (ii) such inadequacy resulted in aspects of certain environmental impacts being improperly analyzed. As to the claims described in "(i)" and "(ii)" in the foregoing sentence, the court determined that the EIR was inadequate. In that regard, the court determined the Grapevine project description contained in the EIR allowed development to occur in the time and manner determined by the real parties in interest and, as a consequence, such development flexibility could result in the project's internal capture rate, or ICR, of the percent of vehicle trips remaining within the project actually being lower than the projected ICR levels used in the EIR and that lower ICR levels warranted supplemental traffic, air quality, greenhouse gas emissions, noise, public health and growth inducing impact analyses.

On December 11, 2018, the court in the 2017 Action ruled that portions of the EIR required corrections and supplemental environmental analysis and ordered that the County rescind the Grapevine project approvals until such supplemental environmental analysis was completed. The court issued a final judgment consistent with its ruling on February 15, 2019 and, on March 12, 2019, the County rescinded the Grapevine project approvals.

Following the County's rescission of the Grapevine project approvals, the Company filed new applications to re-entitle the Grapevine project (the re-entitlement). The re-entitlement application involved processing project approvals that were

substantively similar to the Grapevine project that was unanimously approved by the Kern County Board of Supervisors in December 2016. As part of the re-entitlement, supplemental environmental analysis was prepared to address the court's ruling in the 2017 Action. Following a public comment and review period, the Kern County Planning Commission held a hearing on November 14, 2019 and unanimously recommended to the Kern County Board of Supervisors that it approve the re-entitlement of the Grapevine project. On December 10, 2019, the Kern County Board of Supervisors held a hearing and after considering the supplemental environmental analysis and material presented at the hearing unanimously voted to approve the re-entitlement of the Grapevine project. On January 9, 2020, the County filed a Supplemental and Final Return to Preemptory Writ of Mandate to inform the court of the re-entitlement in a manner that the County and the Company believed was compliant with the court's February 15, 2019 final judgment in the 2017 Action. Concurrently, the County and the Company filed a Motion for Order Discharging Writ of Mandate, which requested that the court determine that the re-entitlement complied with the court's February 15, 2019 final judgment in the 2017 Action (the Motion for Order to Discharge 2017 Writ of Mandate). A hearing was held on February 14, 2020 for this motion and is further summarized below.

On January 10, 2020, CBD filed a new and separate action in Kern County Superior Court pursuant to CEQA against the County, concerning the County's approval of the December 2019 re-entitlement, including certification of the final EIR (the 2020 Action). The Company was named as real party in interest in the 2020 Action. The 2020 Action alleged that the County failed to properly follow the procedures and requirements of CEQA with respect to the re-entitlement of the Grapevine project, including failure to identify, analyze and mitigate impacts to air quality, greenhouse gas emissions, biological resources, public health, and traffic, and failed to provide support for the County's findings and statement of overriding considerations in adopting the EIR. CBD sought to invalidate the County's approval of the re-entitlement, the environmental approvals for the re-entitlement and require the Company and the County to revise the environmental documentation. On January 22, 2020, the Company and County filed a demurrer and motion to strike the claims in the 2020 Action on the basis that the claims brought by CBD were resolved by the court in the 2017 Action, pursuant to the final judgment issued in the 2017 Action. The Company and County's motion described in the previous sentence also included an alternative request that the court consolidate CBD's claims in the 2020 Action with its disposition of any remaining matters relating to the 2017 Action. A hearing on these motions filed in the 2020 Action and on the Motion for Order Discharging Writ of Mandate (described above and relating to the 2017 Action) was held on February 14, 2020. At the hearing, the court granted the Company and County's request to consolidate the 2020 Action with its adjudication of the Company and County's compliance with the writ of mandate issued by the Court in the 2017 Action. The court denied, without prejudice, the Company and County's motion to discharge the writ in the 2017 Action and their demurrer and motion to strike the claims in the 2020 Action, but the court further ruled that the Company and County could re-assert these arguments later once additional evidence was before the court.

On January 22, 2021, the court conducted a hearing on the 2020 Action and the Motion for Order to Discharge the 2017 Writ of Mandate. At the January 22nd hearing, the court ruled in favor of the Company and the County on all issues: (1) granting the County's Motion for Order to Discharge the 2017 Writ of Mandate and (2) rejecting each and every claim made by CBD in the 2020 Action. The court entered a final judgment reflecting its ruling in favor of the Company and the County on March 22, 2021 and CBD did not file an appeal by the court deadline, so the judgement is final.

Centennial

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

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

On April 5, 2021 the court issued its decision denying the petition for writ of mandate by CBD/CNPS and granting the petition for writ of mandate filed by Climate Resolve. In granting Climate Resolve's petition, the court found three specific areas where the EIR for the project was lacking. The court ruled that California's Cap-and-Trade Program cannot be used as a compliance pathway for mitigating greenhouse gas (GHG) impacts for the project and therefore further ruled that additional analysis will be required related to all feasible mitigation of GHG impacts. The court also found that the EIR must provide additional analysis and explanation of how wildland fire risk on lands outside of the project site, posed by on-site ignition sources, is mitigated to less than significant. On April 19, 2021 CBD filed a motion for reconsideration with the court on the denial of their petition for writ of mandate to be granted prevailing party status in the Climate Resolve Action ("Motion for Reconsideration"). The hearing on the Motion for Reconsideration originally scheduled for August 13, 2021, was rescheduled to December 1, 2021.
On November 30, 2021, the Company together with Ranchcorp and Centennial, entered into a Settlement Agreement with Climate Resolve. Pursuant to the Settlement Agreement, the Company has agreed: (1) to make Centennial a net zero greenhouse gas ("GHG") emissions project through various on-site and off-site measures, including but not limited to installing electric vehicle chargers and establishing and funding incentive programs for the purchase of electric vehicles; (2) to fund certain on-site and off-site fire protection and prevention measures; and (3) to provide annual public reports and create an organization to monitor progress towards these commitments. The foregoing is only a summary of the material terms of the Settlement Agreement and does not purport to be a complete description of the rights and obligations of the parties thereunder, and is qualified in its entirety by reference to the Settlement Agreement, a full copy of which is attached hereto this Annual Report (10-K). In exchange, Climate Resolve filed a request for dismissal of the Climate Resolve Action with prejudice from the Los Angeles County Superior Court. On December 3, 2021, the Los Angeles Superior Court granted and entered Climate Resolve's dismissal with prejudice concluding the Climate Resolve Action. On December 1, 2021, the Los Angeles Superior Court continued CBD/CNPS Motion for Reconsideration to January 14, 2022, directing CBD/CNPS to evaluate the Settlement Agreement reached in the Climate Resolve Action to address issues surrounding remedies should CBD be granted prevailing party status in the Climate Resolve Action, and to evaluate the potential to settle or otherwise address CBD's objections to the Centennial project. To that end, the Company met and conferred twice on January 4, 2022 and January 20, 2022. On January 14, the Los Angeles County Superior Court heard CBD/CNPS Motion for Reconsideration and issued its decision granting CBD/CNPS prevailing party status in the Climate Resolve Action. The Los Angles County Superior Court set a tentative hearing date of February 25, 2022 concerning the entry of final judgment and awarding of appropriate remedies. Upon mutual request of the Parties and approval by the Court, the February 25, 2022 hearing date has been extended to March 30, 2022. Prior to and subsequent of final judgment being entered, appellate litigation may follow. To the extent there may be an adverse outcome of the claims still pending as described above, the monetary value cannot be estimated at this time.

Proceedings Incidental to Business

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

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

15. RETIREMENT PLANS

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

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

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

($ in thousands)	2021	2020
Change in benefit obligation - Pension		
Benefit obligation at beginning of year	$ 12,037	$ 10,710
Interest cost	291	338
Actuarial (gain)/loss assumption changes	(722)	1,248
Benefits paid	(296)	(259)
Benefit obligation and accumulated benefit obligation at end of year	$ 11,310	$ 12,037
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 10,435	$ 8,920
Actual return on plan assets	821	1,609
Employer contribution	165	165
Benefits/expenses paid	(296)	(259)
Fair value of plan assets at end of year	$ 11,125	$ 10,435
Funded status - liability	$ (185)	$ (1,602)
Amounts recorded in equity		
Net actuarial loss	$ 2,376	$ 3,242
Total amount recorded	$ 2,376	$ 3,242
Amount recorded, net taxes	$ 1,711	$ 2,335

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

($ in thousands)	2021	2020
Net (gain) loss	$ (792)	$ 282
Recognition of net actuarial loss	(74)	(67)
Total changes	$ (866)	$ 215
Changes, net of taxes	$ (624)	$ 155

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

Expected return on plan assets	$ 552
Interest cost	(312)
Amortization of net gain/(loss)	(46)
Net periodic pension benefit/(cost)	$ 194

At December 31, 2021 and 2020, the Company had a long-term pension liability. For 2022, the Company is estimating that contributions to the pension plan will be approximately $165,000.

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

2022	2023	2024	2025	2026	Thereafter
$ 317	$ 338	$ 374	$ 470	$ 503	$ 2,645

Plan assets consist of equity, debt and short-term money market investment funds. The Benefit Plan's current investment policy changed during the third quarter of 2018. The new policy is an investment strategy in which the primary focus is to minimize the volatility of the funding ratio. This objective will result in a prescribed asset mix between "return seeking" assets (e.g. stocks) and a bond portfolio (e.g., long duration bonds) according to a pre-determined customized investment strategy based on the Plan's Funded Status as the primary input. This path will be used as a reference point as to the mix of assets, which by design will de-emphasize the return seeking portion as funded status improves. At December 31, 2021, the investment mix was approximately 35% equity, 64% debt, and 1% money market funds. At December 31, 2020, the investment mix was approximately 65% equity, 34% debt and 1% money market funds. Equity investments consist of a combination of individual equity securities plus value funds, growth funds, large cap funds and international stock funds. Debt investments consist of U.S. Treasury securities and investment grade corporate debt. The weighted-average discount rate used in determining the periodic pension cost is 2.80% in 2021 and 2.45% in 2020. The expected long-term rate of return on plan assets is 7.3% in 2021 and 7.3% in 2020. The long-term rate of return on plan assets is based on the historical returns within the plan and expectations for future returns. See the following table for fair value hierarchy by investment type at December 31:

($ in thousands)	Fair Value Hierarchy	2021	2020
Pension Plan Assets:			
Cash and Cash Equivalents	Level 1	$ 102	$ 70
Collective Funds	Level 2	11,023	10,365
Fair value of plan assets		$ 11,125	$ 10,435

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

($ in thousands)	2021	2020	2019
Cost components:			
Service cost	$ —	$ —	$ —
Interest cost	(291)	(338)	(389)
Expected return on plan assets	752	643	522
Net amortization and deferral	(74)	(68)	(75)
Total net periodic pension earnings/(cost)	$ 387	$ 237	$ 58

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

The following SERP benefit information is as of December 31:

($ in thousands)	2021	2020
Change in benefit obligation - SERP		
Benefit obligation at beginning of year	$ 8,419	$ 8,011
Interest cost	163	229
Actuarial gain/assumption changes	(206)	708
Benefits paid	(529)	(529)
Benefit obligation and accumulated benefit obligation at end of year	$ 7,847	$ 8,419
Funded status - liability	$ (7,847)	$ (8,419)

($ in thousands)	2021	2020
Amounts recorded in stockholders' equity		
Net actuarial loss	$ 2,693	$ 3,024
Total amount recorded	$ 2,693	$ 3,024
Amount recorded, net taxes	$ 1,939	$ 2,178

Other changes in benefit obligations recognized in other comprehensive income for 2021 and 2020 included the following components:

($ in thousands)	2021	2020
Net (gain) loss	$ (206)	$ 708
Recognition of net actuarial gain or (loss)	(125)	(86)
Total changes	$ (331)	$ 622
Changes, net of taxes	$ (239)	$ 448

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

Interest cost	$ (182)
Amortization of net (gain)/loss	(114)
Net periodic pension earnings/(cost)	$ (296)

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

2022	2023	2024	2025	2026	Thereafter
$ 526	$ 510	$ 487	$ 562	$ 553	$ 2,592

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of projected benefits obligation was 2.40% and 0.0% for 2021, 2.00% and 0.0% for 2020, and 2.95% and 0.00% for 2019. Total pension and retirement expense was as follows for each of the years ended December 31:

($ in thousands)	2021	2020	2019
Cost components:			
Interest cost	$ (163)	$ (229)	$ (303)
Net amortization and other	(125)	(86)	(62)
Total net periodic pension earnings/(cost)	$ (288)	$ (315)	$ (365)

16. REPORTING SEGMENTS AND RELATED INFORMATION

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

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

($ in thousands)	2021	2020	2019
Revenues			
Real estate—commercial/industrial	$ 19,476	$ 9,536	$ 16,792
Mineral resources	20,987	10,736	9,791
Farming	11,039	13,866	19,331
Ranch operations	4,111	3,692	3,609
Segment revenues	55,613	37,830	49,523
Equity in unconsolidated joint ventures, net	9,202	4,504	16,575
Gain on sale of real estate	—	1,331	—
Investment income	57	884	1,239
Total revenues and other income	64,872	44,549	67,337
Segment Profits (Losses)			
Real estate—commercial/industrial	7,523	2,414	3,831
Real estate—resort/residential	(1,723)	(1,612)	(2,247)
Mineral resources	7,428	4,322	3,973
Farming	(3,077)	(1,237)	4,080
Ranch operations	(568)	(1,204)	(1,707)
Segment profits [(1)]	9,583	2,683	7,930
Equity in unconsolidated joint ventures, net	9,202	4,504	16,575
Gain on sale of real estate	—	1,331	—
Investment income	57	884	1,239
Other income	164	110	(1,824)
Corporate expenses	(9,843)	(9,430)	(9,361)
Income from operations before income taxes	$ 9,163	$ 82	$ 14,559

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

Real Estate - Commercial/Industrial

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

During the second quarter of 2021, the Company contributed a 38.86 acre land parcel contributed with a fair value of $8,464,000 to TRC-MRC 4, LLC. The Company recognized revenues of $5,679,000 and deferred profit of $2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.

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

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

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

($ in thousands)	2021	2020	2019
Commercial revenues	$ 19,476	$ 9,536	$ 16,792
Equity in earnings of unconsolidated joint ventures	9,202	4,504	16,575
Commercial revenues and equity in earnings of unconsolidated joint ventures	$ 28,678	$ 14,040	$ 33,367
Commercial expenses	11,953	7,122	12,961
Operating results from commercial and unconsolidated joint ventures	$ 16,725	$ 6,918	$ 20,406

Real Estate - Resort/Residential

The resort/residential real estate development segment is actively involved in the land entitlement and development process internally and through joint venture entities. The segment produced losses of $1,723,000, $1,612,000, and $2,247,000 during the years ended December 31, 2021, 2020, and 2019, respectively.

Mineral Resources

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

($ in thousands)	2021	2020	2019
Mineral resources revenues	$ 20,987	$ 10,736	$ 9,791
Mineral resources expenses	$ 13,559	$ 6,414	$ 5,818
Operating results from mineral resources	$ 7,428	$ 4,322	$ 3,973

Farming

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

($ in thousands)	2021	2020	2019
Farming revenues	$ 11,039	$ 13,866	$ 19,331
Farming expenses	$ 14,116	$ 15,103	$ 15,251
Operating results from farming	$ (3,077)	$ (1,237)	$ 4,080

Ranch Operations

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

($ in thousands)	2021	2020	2019
Ranch operations revenues	$ 4,111	$ 3,692	$ 3,609
Ranch operations expenses	$ 4,679	$ 4,896	$ 5,316
Operating results from ranch operations	$ (568)	$ (1,204)	$ (1,707)

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

($ in thousands)	Identifiable Assets	Depreciation and Amortization	Capital Expenditures
2021			
Real estate - commercial/industrial	$ 82,397	$ 463	$ 4,906
Real estate - resort/residential	305,818	31	8,064
Mineral resources	52,440	1,368	—
Farming	47,160	1,789	7,416
Ranch operations	2,079	455	306
Corporate	56,142	488	187
Total	$ 546,036	$ 4,594	$ 20,879
2020			
Real estate - commercial/industrial	$ 73,317	$ 486	$ 7,128
Real estate - resort/residential	297,052	39	9,764
Mineral resources	57,797	1,384	25
Farming	38,090	1,989	5,145
Ranch operations	2,442	482	91
Corporate	67,651	558	106
Total	$ 536,349	$ 4,938	$ 22,259
2019			
Real estate - commercial/industrial	$ 76,814	$ 517	$ 8,690
Real estate - resort/residential	286,801	51	12,811
Mineral resources	55,049	1,371	37
Farming	41,258	1,909	3,362
Ranch operations	2,624	526	213
Corporate	76,876	662	109
Total	$ 539,422	$ 5,036	$ 25,222

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

17. INVESTMENT IN UNCONSOLIDATED AND CONSOLIDATED JOINT VENTURES

The Company maintains investments in joint ventures. The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting unless the venture is a variable interest entity, or VIE, and meets the requirements for consolidation. The Company's investment in its unconsolidated joint ventures at December 31, 2021 was $43,418,000. The equity in the income of the unconsolidated joint ventures was $9,202,000 for the twelve months ended December 31, 2021. The unconsolidated joint ventures have not been consolidated as of December 31, 2021, because the Company does not control the investments. The Company's current joint ventures are as follows:

- Petro Travel Plaza Holdings LLC – TA/Petro is an unconsolidated joint venture with TravelCenters of America Inc. for the development and management of travel plazas and convenience stores. The Company has 50% voting rights and shares 60% of profit and losses in this joint venture. It houses multiple commercial eating establishments as well as diesel and gasoline operations in TRCC. The Company does not control the investment due to it having only 50% voting rights, and because the partner in the joint venture is the managing partner and performs all of the day-to-day operations and has significant decision-making authority regarding key business components such as fuel inventory and pricing at the facility. At December 31, 2021, the Company had an equity investment balance of $22,915,000 in this joint venture.
    - On April 17, 2020, the Company sold the land and a building formerly leased to a tenant operating a fast food restaurant, to Petro. The Company received cash proceeds of $2,000,000 from Petro, and realized a gain of $1,331,000 under ASC 610-20, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets."

- In December 2019, the Company completed the shell and core of a new 4,900 square foot multi-tenant building at TRCC-East, with a fair value of $2,805,000, and contributed the building and land to TA/Petro. The contribution met the criteria of a sale under ASC Topic 606, "Revenue from Contracts with Customers." As such, the Company recognized profit of $334,000 and deferred $501,000 of profit in accordance with ASC Topic 323, "Investment - Equity Method and Joint Ventures" on the date the assets were contributed.

- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of master planned business parks in the United States. The Company partnered with Majestic to form five 50/50 joint ventures to acquire, develop, manage, and operate industrial real estate at TRCC. The partners have equal voting rights and equally share in the profit and loss of the joint venture. The Company and Majestic guarantee the performance of all outstanding debt. At December 31, 2021, the Company's investment in these joint ventures was $5,528,000, which includes an outside basis.
  - In February 2022, we formed TRC-MRC Multi I, LLC, to pursue the development, construction, lease-up, and management of 495 multi-family rental units located within TRCC-East.
  - On March 25, 2021, TRC-MRC 4 LLC was formed to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. Construction of the building has begun with completion expected in 2022. The construction is being financed by a $47,500,000 construction loan that had an outstanding balance of $16,307,000 as of December 31, 2021. The construction loan is individually and collectively guaranteed by the Company and Majestic. In June 2021, the Company contributed land with a fair value of $8,464,000 to TRC-MRC 4, LLC. The total cost of the land was $2,895,000. The Company recognized profit of $2,785,000 and deferred profit of $2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.
  - In November 2018, TRC-MRC 3, LLC was formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building on the Company's property at TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary therefore does not consolidate TRC-MRC 3, LLC in its financial statements. The construction of the building was completed in the fourth quarter of 2019, and the Company has leased 100% of the rentable space to two tenants. In March 2019, the joint venture entered into a promissory note with a financial institution to finance the construction of the building. The note matures on May 1, 2030 and had an outstanding principal balance of $35,324,000 as of December 31, 2021. 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 $859,000 as of December 31, 2021.
  - In August 2016, the Company partnered with Majestic to form TRC-MRC 2, LLC to acquire, lease, and maintain a fully occupied warehouse at TRCC-West. The partnership acquired the 651,909 square foot building for $24,773,000 and was largely financed through a promissory note guaranteed by both partners. The promissory note was refinanced on June 1, 2018 with a $25,240,000 promissory note. The note matures on July 1, 2028, and currently has an outstanding principal balance of $23,255,000. Since inception, the Company has received excess distributions resulting in a deficit balance of $1,670,000. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of the consolidated balance sheet. The Company will continue to record its equity in the net income as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on the consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will recognize any balance classified as a liability as income.
  - In September 2016, TRC-MRC 1, LLC was formed to develop and operate an approximately 480,480 square foot industrial building at TRCC-East. The joint venture completed construction of the building during the third quarter of 2017. Since inception of the joint venture, the Company has received excess distributions resulting in a deficit balance of $1,669,000. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of the consolidated balance sheet. The Company will continue to record its equity in the net income as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on the consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will recognize any balance classified as a liability as income. The joint venture refinanced its construction loan in December 2018 with a mortgage loan. The original principal balance of the mortgage loan was $25,030,000, of which $23,400,000 was outstanding at December 31, 2021.

- Rockefeller Joint Ventures – The Company has two joint ventures with Rockefeller Group Development Corporation or Rockefeller as of December 31, 2021. At December 31, 2021, the Company's combined equity investment balance in these joint ventures was $14,975,000.
    - The first joint venture, 18-19 West LLC, was formed in August 2009 through the contribution of 61.5 acres of land by the Company, which is being held for future development. This joint venture is part of an agreement for the potential development of up to 500 acres of land in TRCC that are tied to Foreign Trade Zone designation. The Company owns a 50% interest in this joint ventures, and the joint ventures is being accounted for under the equity method due to both members having significant participating rights in the management of the ventures.
        - The 18-19 West LLC joint venture had a purchase option in place with a third-party to purchase lots l8 and 19 at a price of $15,213,000. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for $15,213,000. The cash proceeds from the sale was distributed to the partners in the first quarter of 2022.
    - The Company was a member of the Five West Parcel LLC joint venture, which owned and leased a 606,000 square foot building, the joint venture's primary asset, to Dollar General. The building was sold to a third party in November 2019 for a purchase price of $29,088,000, realizing a gain of $17,537,000. The outstanding term loan of the joint venture was paid off upon the sale. This joint venture was dissolved during the fourth quarter of 2020.
    - The second joint venture is the TRCC/Rock Outlet Center LLC joint venture that was formed in 2013 to develop, own, and manage a net leasable 326,000 square foot outlet center on land at TRCC-East. The Company controls 50% of the voting interests of TRCC/Rock Outlet Center LLC; thus, it does not control by voting interest alone. The Company is the named managing member. The managing member's responsibilities relate to the routine day-to-day activities of TRCC/Rock Outlet Center LLC. However, all operating decisions during the development period and ongoing operations, including the setting and monitoring of the budget, leasing, marketing, financing and selection of the contractor for any construction, are jointly made by both members of the joint venture. Therefore, the Company concluded that both members have significant participating rights that are sufficient to overcome the presumption of the Company controlling the joint venture through it being named the managing member. Therefore, the investment in TRCC/Rock Outlet Center LLC is being accounted for under the equity method. On September 7, 2021, the TRCC/Rock Outlet Center LLC joint venture successfully extended the maturity date of its term note with a financial institution from September 5, 2021 to May 31, 2024. In connection with the loan extension, the joint venture also reduced the outstanding amount by $4,600,000. As of December 31, 2021, the outstanding balance of the term note was $28,783,000. The Company and Rockefeller guarantee the performance of the debt.
- Centennial Founders, LLC – Centennial Founders, LLC, or CFL, is a joint venture with TRI Pointe Homes to pursue the entitlement and development of land that the Company owns in Los Angeles County. At December 31, 2021, the Company owned 93.03% of CFL.

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

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

Balance Sheet Information as of December 31:

	Joint Venture						TRC	
	Assets		Borrowings		Equity		Investment In	
	2021	2020	2021	2020	2021	2020	2021	2020
Petro Travel Plaza Holdings LLC	$ 78,064	$ 77,516	$ (14,848)	$ (15,291)	$ 58,859	$ 59,597	$ 22,915	$ 23,358
Five West Parcel, LLC	—	—	—	—	—	—	—	—
18-19 West, LLC[1]	14,965	4,733	—	—	14,895	4,483	6,877	1,672
TRCC/Rock Outlet Center, LLC	61,927	65,475	(28,783)	(34,845)	32,323	29,608	8,098	6,741
TRC-MRC 1, LLC	24,964	26,502	(23,400)	(23,985)	1,209	2,059	—	—
TRC-MRC 2, LLC	20,497	20,191	(23,255)	(23,869)	(5,657)	(7,741)	—	—
TRC-MRC 3, LLC	37,579	38,502	(35,324)	(35,785)	(914)	(2,001)	859	1,753
TRC-MRC 4, LLC	25,671	—	(16,307)	—	9,319	—	4,669	—
Total	$ 263,667	$ 232,919	$ (141,917)	$ (133,775)	$ 110,034	$ 86,005	$ 43,418	$ 33,524
Centennial Founders, LLC	$ 101,178	$ 98,898	$ —	$ —	$ 100,261	$ 98,565	Consolidated	

[1]Comprised of cash received from sale of land.

Condensed Statement of Operations Information as of December 31:

	Joint Venture						TRC		
	Revenues			Earnings(Loss)			Equity in Earnings (Loss)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Petro Travel Plaza Holdings LLC	$ 137,090	$ 86,331	$ 117,708	$ 8,262	$ 9,536	$ 14,684	$ 4,957	$ 5,722	$ 8,810
Five West Parcel, LLC	—	—	2,648	—	(6)	18,239	—	(2)	9,119
18-19 West, LLC	15,472	6	15	10,411	(136)	(107)	5,206	(68)	(53)
TRCC/Rock Outlet Center, LLC[1]	5,642	5,495	6,278	(2,885)	(4,180)	(3,843)	(1,443)	(2,090)	(1,921)
TRC-MRC 1, LLC	3,237	3,123	3,067	(15)	129	91	(7)	64	46
TRC-MRC 2, LLC	4,024	4,087	4,023	1,268	1,357	1,151	634	678	575
TRC-MRC 3, LLC	$ 3,729	$ 4,032	$ —	$ (288)	$ 399	$ (2)	$ (144)	$ 200	$ (1)
TRC-MRC 4, LLC	$ —	$ —	$ —	$ (1)	$ —	$ —	$ (1)	$ —	$ —
	$ 169,194	$ 103,074	$ 133,739	$ 16,752	$ 7,099	$ 30,213	$ 9,202	$ 4,504	$ 16,575
Centennial Founders, LLC	$ 409	$ 419	$ 469	$ (80)	$ (103)	$ (20)	Consolidated		

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of $1.2 million, $1.3 million and $1.7 million for the years ended December 31, 2021, 2020 and 2019, respectively.

18. RELATED PARTY TRANSACTIONS

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

The Company has water contracts with 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 5,749 acre-feet of water subject to SWP allocations. In December 2019, the Company's Executive Vice President and Chief Operating Officer became one of nine directors at WRMWSD. As of December 31, 2021 and December 31, 2020, the Company paid $6,223,000 and $5,181,000 for these water contracts and related costs, respectively.

19. SUBSEQUENT EVENT

On February 4, 2022, the Company sold a 12.3 acre land parcel to a third-party located at TRCC-West for $4,680,000.

DESCRIPTION OF CAPITAL STOCK

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

General

Our authorized capital stock consists of 5,000,000 shares of preferred stock, of which no shares are outstanding, and 30,000,000 shares of common stock, of which 26,029,778 shares were outstanding on April 19, 2019, held by 290 holders of record.

Common Stock

The holders of common stock vote cumulatively when electing directors and are entitled to one vote per share on all other matters. The board of directors presently consists of three classes of directors based on when their terms expire. Each class is elected every three years to a three-year term. Because only a portion of the total number of directors is elected each year, a greater number of shares is required to ensure the ability to elect a specific number of directors using cumulative voting than would be required if the entire Board were elected each year.

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

Preferred Stock

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

Anti-Takeover Provisions

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

In addition, our restated certificate of incorporation and amended and restated bylaws include a number of provisions that may have the effect of discouraging persons from pursuing non-negotiated takeover attempts. These provisions include:

- a classified Board;
- a requirement that directors may only be removed for cause and only by an affirmative vote of the holders of a majority of the Company's voting stock; and
- the inability of stockholders to call special meetings and to act without a meeting.

Subject to the exceptions set forth below, certain business combinations involving a "Related Person" require the approval of the holders of at least 80% of the outstanding shares entitled to vote generally in the election of directors (which we refer to as "voting shares") and the approval of the holders of a majority of the voting shares not owned beneficially by the Related Person. The 80% voting requirement does not apply if:

- the terms of the business combination meet certain fairness standards set forth in our restated certificate of incorporation;

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

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

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

"Continuing Director" means, as to any Related Person:

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

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

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into as of the Effective Date by and between Climate Resolve, a California nonprofit public benefit corporation, on the one hand, and Centennial Founders LLC, a Delaware Limited Liability Company ("Centennial"), and Tejon Ranchcorp, a California corporation ("Tejon Ranchcorp") on the other hand.

DEFINITIONS

As used in this Agreement, the following terms have the meanings specified below.

Board and **CMG Board:** the Board of Directors of the Centennial Monitoring Group.

Business As Usual Emissions ("BAU Emissions"): for purposes of this Agreement, BAU is 15 million metric tons of greenhouse gas emissions (MMTCO2e).

California Air Resources Board ("CARB"): The California regulatory agency named "California Air Resources Board."

California Environmental Quality Act ("CEQA") is California Public Resources Code sections 21000-21189.7.

Centennial Monitoring Group ("CMG"): A non-profit entity to be established by Climate Resolve as set forth in this Agreement to monitor Centennial's and Tejon Ranchcorp's compliance with this Agreement.

Climate Action Reserve ("CAR"): The California corporation named "Climate Action Reserve."

County: Los Angeles County.

Disadvantaged Communities ("DACs"): Communities identified as such by the California Environmental Protection Agency under Health and Safety Code § 39711.

Disadvantaged Vulnerable Communities ("DVCs"): The 25% highest-scoring areas according to the California Communities Environmental Health Screening Tool (CalEnviroScreen), all tribal lands, areas with median household incomes below 60% of the state median, and areas that score in the highest 5% of Pollution Burden with CalEnviroScreen but don't receive an overall score due to poor data.

Dwelling Unit: a structure or the part of a structure that is used as a home or residence by one or more persons maintaining a household, including but not limited to attached or detached homes, apartments and condominiums.

Effective Date: the Effective Date of this Agreement is November 30, 2021.

Electric Vehicle Supply Equipment ("EVSE"): A station for charging electric vehicles. One EVSE may have one or more connectors that each allow an EV to be charged.

Environmental Impact Report ("EIR"): The Environmental Impact Report certified by Los Angeles County on April 30, 2019 (State Clearinghouse Number 2004031072).

Fire Protection Plan ("FPP"): A plan for reducing fire risk on and around the Project Site, as drafted by Centennial, as updated from time to time. A copy of the current version of the FPP is attached to this Agreement as Exhibit 1.

Greenhouse Gases ("GHGs"): Gases which contribute to the greenhouse effect, including carbon dioxide and methane.

Inflation-Adjusted: Adjusted based on the Consumer Price Index for Los Angeles/Riverside/Orange Counties, using the Effective Date as a baseline.

Itemized GHG Mitigation Measures: Those measures set forth in Section 1.a below, to mitigate the Project's GHG emissions.

Litigation: The case captioned Climate Reserve v. County of Los Angeles, Los Angeles Superior Court Case No. 19STCP01917, filed May 15, 2019.

Mitigation: For purposes of this Agreement, the term "mitigation" or "Mitigation" shall be understood in its most generic sense and shall not be limited in any technical sense as a Los Angeles County CEQA term.

Mitigation Credit: A certification or other documented award by CARB or a CARB-approved registry that is equivalent to one metric ton of carbon-dioxide-equivalent greenhouse gas emissions that is or will be reduced, sequestered, or avoided.

MTCO2e means metric tons of CO_2 equivalent.

Non-Itemized GHG Mitigation Measures: Those measures set forth in Section 1.b, below, to mitigate the Project's GHG emissions.

Non-Residential: Square footage constructed to include commercial, employment, institutional, or other non-residential uses authorized at the Project Site which does not include Dwelling Units. Mixed use structures may include Non-Residential square footage, and Dwelling Units.

Parties: the parties to this Agreement, Climate Resolve, Centennial Founders LLC, and Tejon Ranchcorp.

Project: the entire Centennial Project and offsite improvements, as described in the EIR.

Project Site: That certain real property commonly known as Centennial comprising approximately a 12,323-acre portion of the Tejon Ranch, in the geographical area covered by the

Centennial Specific Plan No. 02-0232-(5) and offsite improvements associated therewith as described in the EIR.

SCAQMD: South Coast Air Quality Management District.

Tejon Ranch: That certain real property commonly known as Tejon Ranch comprising approximately 270,000 acres, as further described and depicted on Exhibit 2 attached hereto.

Vehicles:

- Vehicles are classed according to their **Gross Vehicle Weight Rating ("**GVWR"**).**
- **Light-Duty:** Cars and trucks of classes 1 through 3, weighing less than 14,000 pounds GVWR.
- **Medium-Duty:** Trucks of classes 4 through 6, weighing between 14,000 and 26,000 pounds GVWR
- **Heavy-Duty:** Trucks of classes 7 through 9, weighing 26,000 pounds or more GVWR.

RECITALS

A. Centennial is the applicant for a master-planned development project encompassing the development of up to 19,333 dwelling units, 8,529,048 square feet of business park commercial and recreational/entertainment uses, 1,568,160 square feet of institutional/civic uses, 5,624 acres of open space, 163 acres of parks, and other uses sited on an approximately 12,323-acre portion of the approximately 270,000-acre Tejon Ranch. The Project Site is largely unimproved land located approximately one mile east of Interstate 5 in the northwestern portion of the Antelope Valley in unincorporated Los Angeles County. The Property and the Project are approximately 35 miles north of Santa Clarita, 5 miles east of Gorman, 36 miles west of Lancaster, and 50 miles south of Bakersfield. State Route 138 runs through the southern portion of the Property.

B. On April 30, 2019, Los Angeles County, through its Board of Supervisors certified the EIR pursuant to CEQA for the development of the mixed-use, mixed-income master planned Centennial community on land owned by Tejon Ranchcorp, including offsite infrastructure improvements identified in the EIR.

C. On April 30, 2019, the County also issued initial entitlement approvals for the Project, consisting of (a) the Centennial Specific Plan to govern the Project's development, (b) a General Plan Amendment to amend the highway maps of the Los Angeles County General Plan and the County's Antelope Valley Area Plan, (c) a Zoning Ordinance Amendment to change the Property's zoning from Open Space, Light Agricultural-Two Acre Minimum Required Lot Area, Residential Planned Development, Commercial

Planned Development, and Manufacturing Industrial Planned Development to SP (Specific Plan), (d) a Vesting Tentative Parcel Map to create 20 large-lot parcels on 8,408 acres of the Property for lease, conveyance, and financing purposes only, (e) a Conditional Use Permit to authorize the Specific Plan development process, and (f) a development agreement to vest the approved land use entitlements and provide specified community benefits including but not limited to affordable housing.

D. On May 15, 2019, Climate Resolve filed a petition commencing litigation in the Los Angeles County Superior Court captioned Climate Resolve v. County of Los Angeles, et al. (Case No. 19STCP01917), challenging the County's approval of the Project and its certification of the EIR.

E. On April 5, 2021, after briefing and oral argument, the court issued an order granting in part Climate Resolve's petition.

F. Subsequent to the court's decision, Climate Resolve and Centennial have mutually agreed to make certain additional commitments to assure that the Project will be a Net Zero GHG Project, including mandates that are more stringent than those agreed to in previously-approved projects in Los Angeles County.

G. Climate Resolve and Centennial have mutually agreed to make certain additional commitments to fund wildfire prevention, protection and response activities within the Project, and to fund grants to improve wildfire prevention, protection and response activities in nearby communities.

H. Climate Resolve and Centennial have mutually agreed to fund ongoing compliance monitoring to assure that Centennial complies with the net-zero and fire-protection obligations in this agreement.

I. For purposes of this Agreement, implementation of the measures included in Section 1 will make the Project a net zero GHG project ("Net Zero GHG Project"), and the measures included in Section 1.e will mitigate wildfire risks.

J. The purpose of this Agreement is to resolve and settle all disputes between the Parties involving the Litigation, the Project, and Los Angeles County, and for Climate Resolve to agree to not pursue or support litigation or other challenges to future agency approvals of the Project that are consistent with the approved scope of the Project as set forth in the EIR or other projects on Tejon Ranch as further described herein, provided that Centennial and Tejon Ranchcorp fully comply with their obligations in this Agreement.

AGREEMENT

The Parties agree as follows:

1 Centennial's Obligations

The Project will be a Net Zero GHG Project. To accomplish this goal, Centennial will mitigate the Project's GHG emissions with two types of GHG mitigation measures: (1) Itemized GHG Measures, and (2) Non-Itemized GHG Measures, both as set forth herein.

Centennial will also implement measures to reduce the risk of wildfires in the vicinity of the Project.

Tejon Ranchcorp owns all Tejon Ranch land relevant to this Agreement. Tejon Ranchcorp formed Centennial LLC to develop the Project. Centennial is the obligor under this Agreement, but (a) Tejon Ranchcorp is obligated to enforce a ban on natural gas service to residences in the Grapevine project located in Kern County and located on Tejon Ranch ("Grapevine Project"); and (b) as described in Section 6.a, Tejon Ranchcorp shall assume Centennial's obligations under this Agreement if Centennial (including without limitation Centennial's successors or assigns) fails to perform Centennial's obligations in compliance with the outcome of the meet and confer process set forth in Section 5 of this Agreement or 90 days following the issuance of an arbitration award against Centennial as set forth in Section 5.

a. Itemized GHG Mitigation Measures

Centennial, to the extent it is a direct consumer of electricity on the Project Site, shall use the 100% renewable CCA option in Los Angeles County for construction activity.

1. Residential. Centennial will:

   a) Provide an Inflation-Adjusted $5,000 in reimbursement incentives to the renters or purchasers of each of the Project's Dwelling Units starting at the time of purchase or rental to support the purchase of an EV, until such time as the incentive has been provided to 50% the Project's Dwelling Units. Informational material on the incentives shall be provided at the time of home purchase or rental and regularly advertised through HOA communications;

   b) Install one operable Level-2 or higher-capacity EVSE at each single-family Dwelling Unit;

   c) Install operable Level 2 or higher-capacity EVSEs in the parking area of each multi-unit Residential building in such capacity so that one electrical charger is provided for one assigned parking space of each Dwelling Unit.

2. Non-Residential. Centennial will:

   a) Install in nearby parking spaces for all Non-Residential structures operable Level 2 or higher-capacity EVSEs at a rate of at least one EVSE for each 3,500 square feet of space and no fewer than 3,500 charging connectors;

   b) Install 100 operable EVSEs to serve Medium-Duty and Heavy-Duty vehicles at Tejon Ranch Commerce Center;

   c) Include in enforceable Covenants, Conditions and Restrictions or other enforceable obligations (collectively, "CC&Rs") that future Non-Residential owners maintain and keep operable the EVSEs on their respective properties, and include in CC&Rs a non-enforceable encouragement to opt into any available 100% renewable energy source as a power supply.

   d) Provide $7,500 in reimbursement incentives per vehicle for 500 vehicles to businesses that conduct activities on Tejon Ranch to purchase Medium-Duty and Heavy-Duty vehicles expected to be used in part on Tejon Ranch, for a total of $3,750,000. The EV incentive shall be offered in for Class 1-7 trucks or vans.

3. Other Fleets. Centennial will:

   a) Provide an EV grant program of $5,000 per vehicle for 300 vehicles, for public agency service fleets that serve the Project's community, but are controlled by public agencies not specific to the Project, such as for public safety, maintenance, and operations for a total of $1,500,000;

   b) Provide an EV grant program of $5,000 per vehicle to provide for up to 100 vehicles for Project-specific community agencies or organizations, including the Homeowners Association, Commercial and Hospitality Associations, and Transportation Management Association.

   c) The total amount of the incentives described in subparagraphs (a) and (b) immediately above shall be $2,000,000.

   d) Provide incentives totaling $8,000,000 to support the purchase of school and transit buses and vans for the Project's schools and community transit fleets, and for the installation of EVSEs to serve them.

4. SCAQMD Offsite Chargers. Centennial will:

   a) Install 5,000 operable Level 2 or higher-capacity EVSEs within the SCAQMD territory. The EVSEs will be sited and operated in

Disadvantaged Communities or Disadvantaged Vulnerable Communities. These EVSEs will be non-networked ("dumb") to the extent such EVSEs are available and commercially feasible.

5. Onsite Reductions. Centennial will further mitigate GHG within the Project Site as described in the following four paragraphs.

   a) Centennial will include in CC&Rs that no natural gas infrastructure may be installed within the Project Site for residential buildings, recreation centers, and/or public facilities, and will through CC&Rs ensure that natural gas use is prohibited in such structures. Centennial will likewise include in such CC&Rs the prohibition of natural gas by Non-Residential tenants for non-essential uses, which include space heating, non-industrial water heating, space cooling, and non-commercial cooking. Fireplaces that use fossil fuels will be prohibited in Centennial. If the Project's Non-Residential customers procure biogas, then Centennial shall ask the Southern California Gas Company ("SoCalGas") to report on the origins of that biogas as a term of their contracting and shall include that report in the annual reports described below.

   b) All building developers, including without limitation residential, commercial, industrial, or public buildings, shall install battery storage systems as required by code, or, if battery storage systems are not required by code, shall be required to offer them as an option available for purchase or lease.

   c) Centennial will include in CC&Rs that Community Choice Aggregation or an equivalent Southern California Edison ("SCE") plan with 100% Clean Power ("Clean Power Plan") is required to the extent allowed by law, and is the default choice when not required by law, for all residents, businesses, recreation centers, and public facilities at the Project.

   d) Tejon Ranchcorp will include in CC&Rs that no natural gas infrastructure may be installed for residential buildings on the Grapevine project, and will through CC&Rs ensure that natural gas use is prohibited in such structures. Tejon Ranchcorp will include in CC&Rs that fireplaces that use fossil fuels shall be prohibited at Grapevine.

6. Itemized GHG Mitigation Measures Timing. The Itemized GHG Mitigation Measures shall be implemented as set forth below:

   a) Residential EV incentives shall be provided as described in Section 1.a.1.a above.

   b) Residential EVSEs shall be installed and made operable prior to the

Dwelling Unit's receipt of its certificate of occupancy.

c) Non-Residential EVSEs shall be installed and made operable prior to each respective Non-Residential buildings' receipt of certificate of occupancy.

d) Non-Residential EVSEs shall be installed and made operable to serve Medium-Duty and Heavy-Duty vehicles at Tejon Ranch Commerce Center, with 1 EVSE required to be installed prior to receipt of a certificate of occupancy for the 100,972nd square feet of non-residential uses at Centennial, and 1 additional EVSE required prior to issuance of a certificate of occupancy for each subsequent 100,972 square feet of non-residential uses thereafter.

e) A total of $2,000,000 in EV incentives shall be offered to public service and community service fleet vehicles used at Centennial, to be awarded in $5,000 grants with one $5,000 grant awarded prior to the certificate of occupancy for the 48th Dwelling Unit, and additional $5,000 grants for every subsequent 48th Dwelling Unit until the incentives are fully depleted. Incentives shall be offered continuously with active marketing efforts.

f) A total of $3,750,000 in EV incentives shall be offered to businesses or other entities for Class 1-7 Vehicles that conduct activities on Tejon Ranch, to be awarded in $7,500 grants with one $7,500 grant award prior to the certificate of occupancy for the 38th Dwelling Unit, and additional $7,500 grants for every subsequent 38th Dwelling Unit until such incentives are fully depleted. Incentives shall be offered continuously with active marketing efforts.

g) A total of $8,000,000 shall be awarded in EV and EVSE incentives for the Project's schools and community transit fleets, with one $20,000 grant awarded prior to the certificate of occupancy for the 48th Dwelling Unit and an additional $20,000 grant for each subsequent 48th Dwelling Unit thereafter.

h) A total of 5,000 EVSEs shall be installed within SCAQMD, with the first EVSE installed prior to issuance of a certificate of occupancy for the 4th Dwelling Unit, with one additional EVSE installed for every 4th Dwelling Unit thereafter.

b. Non-Itemized GHG Mitigation Measures

Centennial will become a Net Zero GHG Project by also implementing the Non-Itemized GHG Mitigation Measures, as described in this Section 1.b of the Agreement and in Exhibit 3 to further mitigate the Project's GHG emissions by 6,964,111 MTCO2e. The mitigation measures

implemented under this Section 1.b will be in addition to the Itemized GHG Mitigation Measures described in Section 1.a above, and the emissions mitigations achieved by the Itemized GHG Mitigation Measures will not count toward the 6,964,111 MTCO2e in Non-Itemized GHG Mitigation Measures required by this section.

1. Centennial may implement additional onsite GHG reduction measures beyond those required as Itemized GHG Mitigation Measures for submittal to the CMG as described below in Section 3.e.5; however, if all of the Project's GHG emissions cannot first be fully mitigated by direct GHG emissions reductions within the Project, then Centennial shall achieve Net Zero GHG as required by this Agreement by funding direct investments in offsite GHG emissions reduction projects that generate direct GHG emissions reductions.

    a) Centennial shall fund only Direct Mitigation Projects that generate qualified GHG credits under the CAR's Climate Forward program from CAR's approved list of methodologies, under a CARB protocol, or under a protocol listed under one of CARB's approved list of Offset Project Registries, which are currently American Carbon Registry ("ACR"), CAR, and Verra (collectively, "Registries"); provided, however, that evidence of actual GHG reductions from these Registries shall be confirmed by these Registries prior to issuance of certificates of occupancy for Residential or Non-Residential structures as required above.

    b) Centennial shall obtain from such registries a certificate, report, or other written documentation of the quantity of Mitigation Credits that the registry has awarded to Centennial for Direct Mitigation Projects that Centennial has undertaken or funded. Centennial shall report such quantities of awarded Mitigation Credits in Annual Reports submitted to the CMG Board and the public as set forth herein.

    c) Centennial may elect to fund the development of new GHG mitigation methodologies under CARB or CARB-approved registries. After CARB or the CARB-approved registry approves a new methodology, Centennial may then fund Direct Mitigation Projects that generate qualified GHG credits based on that methodology.

    d) As part of the offsite GHG mitigations, Centennial may directly undertake or fund projects on Tejon Ranch. However, any projects that reduce, avoid, or sequester GHG emissions on Tejon Ranch must result in quantified Mitigation Credits awarded by CARB or a CARB-approved registry, or approved by the CMG.

1) Renewable energy projects that provide power solely to the Project would be an exception. Given the Project's commitment to Zero Net Energy and 100% renewable power, Centennial may elect to develop renewable energy projects elsewhere on the Tejon Ranch to provide power solely to the Project, for example in connection with a microgrid system, without necessitating the involvement of a third-party registry. This type of renewable energy project would not qualify as a Non-Itemized GHG Mitigation Measure, but could provide a reliable source of renewable power for the Project at a lower cost per Watt than rooftop solar. (A renewable energy project on Tejon Ranch that provides power to an off taker other than the Project would require CARB or a CARB-approved registry to award Mitigation Credits for the renewable energy project to be considered a Non-Itemized GHG Mitigation Measure.)

e) Centennial shall not purchase emissions offsets to fulfill its mitigation obligations under this Agreement, including but not limited to those offsets offered by CARB, CAR, American Carbon Registry and Verra, unless approved as a last resort compliance option for one phase of the Project by a majority vote of the CMG Board, and only to the extent that the Board determines that it will be otherwise infeasible for Centennial to reduce or avoid the GHG emissions of that phase of the project to become a Net Zero GHG Project under the terms of the Agreement. Such a Board vote would be on a temporary, phase-by-phase case and would not be applicable to the entire Project.

c. Locational Requirements. The locational requirement percentage distribution set forth below applies to the BAU Emissions of 15,000,000 MTCO2e from the Project that the Parties have agreed to for purposes of this Agreement. Centennial shall become a Net Zero GHG Project by funding emissions reductions or avoidances within the following geographic limitations, in order of priority:

1. At least 51% of BAU Emissions mitigations within Tejon Ranch, which shall include all of the emission mitigations associated with the Itemized GHG Mitigation Measures, and such other reductions as may be approved either through approved Registries or by CMG as described below.

2. At least 69.5% of BAU Emissions mitigations within California, including 0.83% of BAU Emissions mitigations within Disadvantaged Communities or Disadvantaged Vulnerable Communities. Of the 0.83% of such BAU Emissions mitigations in such Communities, 25% of such reductions shall be in Los Angeles County and the remainder shall be in San Bernardino, Kern, Riverside and Inyo Counties. Installation of EVSE's in such Communities is recognized for locational distribution purposes at 22 MTCO2e per charger but does not count as a Non-

Itemized GHG Mitigation.

3. At least 82.25% of BAU Emission mitigations within the United States of America;

4. No more than 17.75% of BAU Emission mitigations from International projects.

d. Fifteen-Year True-Up

1. Prior to the expiration of fourteen years from the Effective Date, Centennial may elect in writing to undertake a comprehensive process (the "True-Up") for assessing the extent to which Centennial has progressed towards becoming a Net Zero GHG Project to revisit the calculations and technology assumptions used by the Parties in this Agreement in 2021 to calculate BAU emissions, and to calculate GHG reductions from Itemized and Non-Itemized GHG Mitigations, as shown in Exhibit 3 based on then-existing technology, law, market conditions, or other circumstances that result in quantifiable GHG emissions that may be different from what was used in Exhibit 3 ("Modified GHG Calculations"). The True-Up shall not authorize modifications to the locational requirements of Non-Itemized Mitigations. Further, changes to the Itemized Mitigations shall be limited to those required by changes in law, or that take advantage of improvements in technology. Non-Itemized Mitigation reduction quantities may be modified if GHG emissions as a result of the True-Up are lower (or higher) than those set forth in Exhibit 3.

2. Centennial shall provide to CMG a scope of work for the True-Up, which will include use of a qualified GHG consultant. Centennial shall work with the CMG Board to develop a schedule and consultation process for review of a draft and final True-Up Report for review and approval by the Board. Unless otherwise agreed by the Board, the True-Up Report will be received and considered during the first Board meeting of the sixteenth year following the Effective Date, along with any proposed revisions by Centennial to modify the Itemized and Non-Itemized GHG Mitigation Measures. The Board shall by majority vote agree to accept, modify or reject the True-Up Report and/or the modified GHG Calculations, or Itemized or Non-Itemized GHG Mitigation Measures. Disputes regarding the True-Up are subject to the Dispute Resolution procedures set forth in Section 5 herein. Upon Board Approval, or upon a favorable arbitration award from the Section 5 Dispute Resolution process, Centennial shall proceed to implement such Modified GHG Mitigation Measures for the remaining term of this Agreement.

e. Enhanced Wildfire Prevention and Protection

1. Centennial shall implement the Fire Protection Plan ("FPP") attached to this Agreement as Exhibit 1. The FPP shall be updated and submitted to the CMG for compliance monitoring purposes any time Centennial files a tract map to include

any new or modified state or county fire prevention, protection, and response requirements and will through CC&Rs ensure that each phase of the Project's development is at all times in compliance with then-prevailing standards and fire codes.

a) Prior to the filing of the first application for a building permit for Dwelling Units at the Project, Centennial shall cause the creation of a master Homeowners Association ("HOA") for all Dwelling Units at Centennial to fund the ongoing implementation, including education, inspections, enforcement, and corrective action, of the FPP. Such HOA shall be authorized to assess on each Dwelling Unit at the Project an ongoing, permanent fee, tax, or assessment in the total cumulative amount for the Project of no more than $500,000 per year, inflation adjusted, with a presumptive pro-rata allocation of $26.00 per Dwelling Unit ("Onsite FPP Assessment"). The HOA shall disperse funds consistent with, and to further the implementation of, the FPP.

b) Centennial shall ensure, pursuant to the FPP, that the master Homeowners Association for Centennial will hire a qualified third-party compliance inspector approved by the Los Angeles County Fire Department to conduct a fuel management zone inspection and submit a Fuel Management Report to the CMG before June 1 of each year certifying that vegetation management activities throughout the Project site have been timely and properly performed. The CMG Board will review the Fuel Management Report and will vote whether to verify ongoing compliance of the defensible space, vegetation management, and fuel modification requirements of, and any continuing obligations imposed under, the FPP.

c) Every 2 years after the first Dwelling Units are occupied, Centennial and CMG will meet with the purpose of reviewing evacuation policies and Centennial will demonstrate that they are clearly understood and communicated with residents. Centennial will also work with the HOA to promote creation of Firewise USA communities within the Project.

2. Centennial shall establish a Good Neighbor Firewise Fund, which will provide grants to needs-based applicants to be awarded by the CMG to aid communities with a population of less than 100,000 within 15 miles of the boundaries of Tejon Ranch to reduce offsite fire risks, increase fire prevention, protection and response measures, and avoid adverse impacts of fire, for the Project's residents and neighboring communities. The 100,000-population limit will be adjusted commensurately with population changes in Los Angeles, Kern and Ventura Counties as documented by each Census. Centennial shall fund the Good Neighbor Firewise Fund in the inflation-adjusted amount of $500,000 annually. CMG will review applications and award the grants to applicants based on a

majority vote of the CMG Board. The grants shall be in support of the following actions:

a) Updating planning documents and zoning ordinances, including general plans, community plans, specific plans, local hazard mitigation plans, community wildfire protection plans, climate adaptation plans, and local coastal programs to protect against the impacts of wildfires;

b) Developing and adopting a comprehensive retrofit strategy;

c) Funding fire-hardening retrofits of residential units and other buildings;

d) Reviewing and updating the local designation of lands within the jurisdiction as very high fire hazard severity zones;

e) Implementing wildfire risk reduction standards, including development and adoption of any appropriate local ordinances, rules, or regulations;

f) Establishing and initial funding of an enforcement program for fuel and vegetation management;

g) Performing infrastructure planning, including for access roads, water supplies providing fire protection, or other public facilities necessary to support the wildfire risk reduction standards;

h) Partnering with other local entities to implement wildfire risk reduction;

i) Updating local planning processes to otherwise support wildfire risk reduction;

j) Completing any environmental review associated with the listed activities;

k) Covering the costs of temporary staffing or consulting needs associated with the listed activities;

l) Implementing community-scale risk reduction programs to become Firewise USA sites;

m) Implementing resiliency plans such as resiliency centers with stable electricity supplies (e.g., microgrid, solar, and battery equipment) available to residents during times of power shutdowns or other emergencies; and

n) Other fire-related risk-reduction activities that may be approved by the CMG Board.

f. Reporting to Centennial Management Group

Phasing. For reporting purposes, Centennial will divide the Project among Vesting Tentative Tract Maps (referred to herein as "VTTM" or "phase"). Centennial will allocate to each phase, during the planning process, the phase's compliance obligations for: (a) Itemized GHG reduction obligations on a pro rata basis for Itemized GHG reduction obligations; and (b) Non-Itemized GHG mitigation on a pro rata basis as determined by multiplying the total amount of GHG emissions to be mitigated (6,964,111 MTCO2e) by the percentage value of that phase. For the purpose of calculating the pro rata amount of the GHG emissions to be mitigated in the VTTM, the calculation is based on that VTTM's share of the total of the 19,333 Dwelling Units and Non-Residential square footage of 10,097,208 square feet that are included in the Project. Centennial will through CC&Rs ensure that all Project activities with the potential for generating GHG emissions are included in a phase of the Project. Concurrent with submittal to the County of any new or modified VTTM, Centennial shall submit to the CMG a GHG Mitigation Plan. Each GHG Mitigation Plan shall demonstrate how Centennial plans to reduce the phase's pro-rata share of the Project's GHG emissions as set forth herein in this Section by detailing the number of metric tons of GHG emissions that are associated with that phase and the type and amount of Itemized and Non-Itemized GHG Mitigation Measures consistent with this Agreement that Centennial will implement to achieve a Net Zero GHG Project. Upon request by Centennial, the CMG may approve Centennial's purchase and use of GHG emissions offsets to replace Direct Mitigation Credits that are delayed or otherwise not timely issued, provided that Centennial establishes, to the satisfaction of the CMG, that Centennial was not the cause of the unavailability of the Direct Mitigation Credits.

1. Annual Report. Each year after the first annual report submitted after the submission of the first VTTM, on March 1, Centennial shall deliver to the CMG an annual report for the period covering the prior calendar year, ("Annual Report").

    a) The Annual Report shall document all of Centennial's actions implemented in the previous calendar year to comply with Centennial's obligations and requirements under the Agreement, including, without limitation, the information on all Itemized and Non-Itemized GHG Mitigation Measures in Exhibit 3, organized by VTTM. The Annual Report shall also include information regarding the implementation of the FPP, and updates on all other compliance issues described in previous Annual Reports.

b) The Annual Report shall list actions Centennial plans to undertake in the calendar year following its issuance to comply with its obligations and requirements under the Agreement. By way of illustration, without limitation, the Annual Report shall include data for the relevant reporting periods that detail Centennial's applications for tract maps and building permits; the type and amount of EV incentives listed in the Agreement that have been reserved and actually disbursed by Centennial; the number, model type, and locations of operative EVSEs installed by Centennial; and the description number and type of onsite and Registry-certified offsite GHG emissions mitigation measures planned and actually implemented by Centennial. For purposes of the Annual Report, Centennial's obligations and requirements under the Agreement shall include, without limitation, all GHG mitigation measures and all wildfire prevention measures set forth in this Agreement and the FPP.

c) Each Annual Report shall also contain a section providing a cumulative total of Mitigation Credits awarded by Registries to Centennial for Non-Itemized GHG Mitigation Measures since the Effective Date and an accounting how such Mitigation Credits have been allocated to phases of the Project to enable the CMG to track Centennial's progress towards reducing the Project's GHG emissions.

d) To facilitate the development of the Project, Centennial may supplement or amend the most recent Annual Report prior to the due date of the next Annual Report to provide the CMG with updates on activities and other matters affecting the Project and to request approvals and certifications from the CMG.

e) Upon the request of the CMG Board, Centennial shall provide additional information with respect to the implementation of Centennial's obligations under this Agreement to be included in the Annual Report.

f) The CMG Board shall review the Annual Report, inform Centennial of any perceived non-compliance with this Agreement. If there is any perceived non-compliance, then the dispute resolution process may be commenced by the CMG.

g. Public Reporting

1. Within one month after submittal to the CMG of the first Annual Report under this Agreement, and annually for each Annual Report thereafter, Centennial will publish the Annual Report.

a) Each Annual Report will be published and will be made publicly available for download from Centennial's web site free of charge.

b) Concurrently with the annual publication of the Annual Report, Centennial will issue a press release announcing the Annual Report.

c) Make any further public disclosures required for public companies, including as applicable requirements relating to Environmental, Sustainability and Governance ("ESG") disclosure.

h. Reimbursement for Attorneys and Consultants

Centennial will pay, via check or money transfer to "Advocates for the Environment, Inc." Climate Resolve's law firm, within thirty days after the Effective Date and following the Court's dismissal of the Lawsuit, the sum of $481,552 as reimbursement of Climate Resolve's litigation and settlement expenses.

1. $323,141 will be for attorney's fees owed to Advocates for the Environment, Inc., Climate Resolve's law firm, for the services during litigation and settlement expenses of attorneys Dean Wallraff and Kathleen Unger and paralegal Benita Wallraff.

2. $45,000 will be for the services of the Law Offices of Richard Moss during the settlement process.

3. $250 will be for the services of attorney William Choi.

4. $113,161 will reimburse Climate Resolve for the consultants it hired to participate in the settlement process and for staff.

2 Climate Resolve's Obligations

a. On the Effective Date of the Agreement, Climate Resolve, with the cooperation of Tejon Ranchcorp and the County, will draft and file a Request for Dismissal asking the Court to dismiss the Litigation with prejudice. Upon filing the Request, Climate Resolve will affirmatively support actions undertaken by Centennial or the County regarding or involving the lawsuit challenging the Project filed by the Center for Biological Diversity et al., and oppose with oral advocacy and in court filings efforts by the Center for Biological Diversity et al. to be named as prevailing parties or have any standing or other right to sue, appeal or otherwise participate in the Litigation.

b. Climate Resolve will establish the Centennial Monitoring Group, as described in Section 3 below.

c. Non-Opposition. As long as Centennial is in compliance with this Agreement, Climate Resolve shall not Oppose the Project or any other Projects on Tejon Ranch as proposed now or in the future, as detailed below.

1. Previous Project Approvals. Climate Resolve shall not Oppose nor encourage, assist or fund any Opponent to Oppose any Approvals issued on or before the Effective Date by any Governmental Authority that are or may be necessary, useful, or convenient for the completion of any portion or aspect of the Project ("Previously Issued Approvals"). "Approval" or "Approvals" shall mean in this Agreement any permits, approvals, entitlements, voter initiatives specific to the Project or Tejon Ranch, development agreements, parcel and subdivision maps, legislative actions specific to the Project or Tejon Ranch, and/or authorizations of any sort whatsoever, including any and all environmental clearances, together with any and all mitigation measures and the implementation thereof, including the Los Angeles County Project Approvals, Previous Approvals and/or Future Project Approvals. "Governmental Authority" shall mean in this Agreement any federal, state, regional, local, or other governmental entity, body, branch, bureau, official, special district, department, court, or other tribunal, or any other governmental or quasi-governmental authority, including the electorate, exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or land use, water, infrastructure, or any other authority or power over the Project.

2. Future Project Approvals. Climate Resolve shall not Oppose nor encourage, assist or fund any opponent to Oppose any Approvals applied for, sought, or issued after the Effective Date by any Governmental Authority that is or may be necessary, useful, or convenient for the completion of any portion or aspect of the Project ("Future Implementation Approvals") as long as such Future Implementation Approvals do not materially amend the Specific Plan or eliminate, reduce, or otherwise amend a mitigation measure in the EIR. A material amendment is an amendment that increases the severity of any significant environmental impact identified in the EIR ("Material Amendment"). Notwithstanding the foregoing, Climate Resolve may engage in the Dispute Resolution process as set forth in Section 3 of this Agreement.

3. Center for Biological Diversity/Third Party Opposition. Climate Resolve understands and acknowledges that the Project is being challenged in litigation brought by the Center for Biological Diversity and affiliated entities ("CBD"), and may in the future be challenged by CBD and/or other third parties (collectively, "Opponents"). Should the Project be required to be reconsidered by Los Angeles County or any other agency due to a partial or full rescission of any Approvals, or any finding of insufficient compliance with CEQA, Climate Resolve shall not Oppose or encourage, assist or fund any Opponent to Oppose re-approval of the Project as long as there are no Material Amendments thereto; including without limitation any future CEQA documentation or Approvals, as long as Centennial continues to comply with the commitments set forth in this Agreement to assure that the Project is a Net Zero GHG Project, and complies with the provisions of this Agreement.

4. Meaning of Opposition. "Opposition," "Oppose," or "Opposing" means (a) opposing, threatening or taking action to oppose, challenging, or seeking to hinder, whether by litigation, public opposition at any proceeding before a government agency, public testimony, comments, or petition to government authorities, a Previously Issued Approval or Future Implementation Approval; (b) providing funding for others to file or maintain litigation opposing, challenging, or seeking to hinder a Previously Issued Approval or Future Implementation Approval; (c) participating in or funding any regional or local plan, policy, regulation, or ordinance, or agency rulemaking that disproportionately causes a negative economic effect or obstacle to development of the Project or other projects or activities on Tejon Ranch projects; or (d) taking any other action to impede the approval, financing, construction or completion of the Project. Climate Resolve shall be deemed to be Opposing a Previously Issued Approval or a Future Implementation Approval if its officers, staff or any individual expressly representing or directed to represent Climate Resolve's interests Opposes such Previously Issued Approval or Future Implementation Approval. Climate Resolve shall advise its staff that Climate Resolve has resolved its dispute with Centennial and of Climate Resolve's obligations under this Agreement, particularly non-Opposition set forth above. "Opposition," "Oppose," or "Opposing" does not include any action permitted under Section 5 of this Agreement. An effect is "disproportionate" if, by way of example only, it applies only to new development (in contrast to a parcel tax or other mechanism that applies to both existing and new development), or if it imposes new economic or environmental obligations through land use planning or zoning advocacy such as Greenprint datasets (currently under consideration by the Southern California Association of Governments) to the extent that such land use planning or zoning advocacy applies to projects and activities on Tejon Ranch (including the Project), in Northern Los Angeles County or Kern County. The Parties shall meet telephonically monthly (or such alternate frequency as the Parties may hereafter agree) to identify planned advocacy by Climate Resolve that could potentially result in unpermitted Non-Opposition, and shall thereafter meet and confer to avoid such unpermitted Non-Opposition.

5. Climate Resolve shall advise members of Climate Resolve's Board of Directors and Advisory Board, and Climate Resolve's attorneys, consultants, and employees, that they may not on behalf of, or as a representative of, Climate Resolve Oppose the Project or other projects and activities on Tejon Ranch.

3 Centennial Monitoring Group

a. Purpose. CMG shall be formed, funded and assigned the duties and authority, as more particularly set forth below, for the purpose of: (1) monitoring and enforcing Centennial's compliance with its obligations under this Agreement, including without limitation, any of those obligations that are to be contractually undertaken by any party other than

Centennial; (2) reviewing Centennial's FPPs for VTTMs concurrently with a VTTM's submission to the County; (3) disbursing funds from the Onsite FPP Assessment pursuant to the FPP then in effect; (4) reviewing annual Fuel Management Reports; and (5) administering and granting the fire protection grants from the Good Neighbor Firewise Fund established under this Agreement.

b. Formation of CMG and Board.

1. Sixth months prior to Centennial's submittal of an application for its first VTTM to the County, Centennial shall provide written notice to the CMG of its intended VTTM application submittal ("VTTM Notice"). Upon receiving the VTTM Notice, Climate Resolve shall cause William C. Choi of the law firm of Rodriguez, Horii, Choi & Cafferata ("RHCC"), under Climate Resolve's supervision and in collaboration with Centennial, and in accordance with the provisions of the Agreement, to form the CMG as a California non-profit public benefit corporation to perform the scope of services described herein, and seek IRS determination of the IRC Section 501(c) (3) status of this corporation. The Parties may also by mutual agreement designate an alternate law firm, with qualifications comparable to William C. Choi, if Mr. Choi is not available or declines to undertake this representation at that time.

2. Within thirty days of the VTTM Notice, Centennial shall tender to Climate Resolve the sum of $300,000 to be used exclusively to pay for the costs of forming and initiating operations of the CMG.

3. Within ninety days after the date on which the County approves the first VTTM (inclusive of resolution of any administrative appeals) ("County Approval of First VTTM"), annual funding as provided below to the CMG commences.

4. The Board shall initially consist of four members, until the Neutral (as defined below) is appointed as provided in this Agreement. Within ninety days after the date on which the CMG is formed: (a) Climate Resolve shall deliver a written notice to Mr. Choi to identify two members to serve on the Board of Directors of the CMG ("Board") on behalf of Climate Resolve ("Climate Resolve Appointees"); and (b) Centennial shall deliver a written notice to Mr. Choi to identify two members to serve on the Board on behalf of Centennial ("Centennial Appointees"). The Parties acknowledge and agree that the Climate Resolve Appointees and Centennial Appointees do not have a conflict of interest in participating (including voting) on the CMG Board. Any potential Neutral Member shall be required to fully disclose and avoid any conflict of interest with Climate Resolve and/or Centennial/Tejon Ranchcorp.

5. Promptly after the identification of the Climate Resolve Appointees and the Centennial Appointees, the Board shall meet and confer to select a fifth member

of the Board ("Neutral Member"), who shall be an Approved Person (as defined below). If the Parties cannot reach agreement, the Neutral shall be selected in the following manner:

a) Climate Resolve shall nominate an Approved Person to serve as the Neutral (the "First Nominee"), and the First Nominee shall serve as the Neutral unless one or both of the Centennial Appointees object to the First Nominee.

b) If one of the Centennial Appointees objects to the First Nominee, the Centennial Appointees shall nominate another Approved Person to serve as the Neutral (the "Second Nominee"), and the Second Nominee shall serve as the Neutral unless one or both of the Climate Resolve Appointees object to the Second Nominee.

c) If one of the Climate Resolve Appointees objects to the Second Nominee, the Climate Resolve Appointees shall nominate another Approved Person to serve as the Neutral (the "Third Nominee"), and the Third Nominee shall serve as the Neutral unless one or both of the Centennial Appointees object to the Third Nominee.

d) If one of the Centennial Appointees objects to the Third Nominee, the Board shall refer the selection of the Neutral to a neutral arbitrator for selection in accordance with the conflict resolution provisions set forth herein, which selection shall be final, absolute and unappealable.

e) For purposes of selecting the Neutral, Approved Person is hereby defined as a person of integrity who possesses professional and/or academic expertise relevant to greenhouse gas emissions, reductions, and accreditation issues or fire protection measures in California master planned communities, who has no financial interest, employment, contract, investor, or other pecuniary relationship to Centennial, Tejon Ranchcorp, or Climate Resolve. Any potential Neutral Member shall be required to fully disclose and avoid any conflict of interest with Climate Resolve and/or Centennial/Tejon Ranchcorp.

f) If the Approved Person selected at the initial meeting of the Board or by the arbitrator declines to act as the Neutral, the Appointees shall, within two weeks of such declination, hold a special meeting of the Board to meet and confer and select another Approved Person to serve as the Neutral, using the procedure described in this Section 4.b.5. The procedure in this Section 4.b.5 will be repeated until the Board has selected an Approved person and that person has agreed to serve as the Neutral on the Board.

6. If, at any time, any of the Climate Resolve Appointees should resign or be unable to fulfill their role as one of the Climate Resolve Appointees due to death or incapacity, or if in its sole discretion Climate Resolve decides to replace its Appointee(s), Climate Resolve shall name and appoint another person to serve as a replacement appointee to the Board. If, at any time, any of the Centennial Appointees should resign or be unable to fulfill that person's role as one of the Centennial Appointees due to death or incapacity, or if in its sole discretion Centennial decides to replace its Appointee(s), Centennial shall name and appoint another person to serve as a replacement appointee to the Board. If, at any time, the Neutral should resign or be unable to fulfill that person's role as the Neutral due to death or incapacity, Climate Resolve and Centennial shall select a replacement Neutral using the selection process set forth in this Section 4.b.5. No failure or delay by Climate Resolve or Centennial to name and appoint a replacement appointee or to engage in the selection process for a replacement Neutral shall prevent the Board from undertaking or deciding any action, provided that such undertaking or decision occurs at a meeting of the Board where the Climate Resolve and Centennial Appointees are all present (telephonically or in person).

c. Administrative Operations. The Board shall determine how to accomplish the administrative and other functions of the CMG in accordance with the CMG's annual budget. In doing so, the Board may hire staff and delegate to such staff any decisions necessary to administer the day-to-day operations of the CMG. Such staff may include, without limitation, an executive director for the CMG, whose duties and responsibilities shall be set by the Board. All decisions by the Board with respect to the administrative operations of the CMG shall be made by the majority of the Board. CMG may conduct such documentary and physical inspections of the Project to audit Centennial's compliance with the Agreement and to verify the accuracy of the Annual Reports, and Centennial shall comply with such inspection and audit requests in a timely fashion.

d. Funding and Annual Budget.

1. The Board shall adopt an initial annual operating budget following the County Approval of First VTTM, and thereafter shall annually adopt a budget setting forth operating and reserve funds for each calendar year. Commencing on the first anniversary of the County Approval of First VTTM ("Anniversary Date"), and continuing on each successive Anniversary Date for three years, Centennial shall contribute $300,000 annually to the CMG to fund CMG operations, and thereafter shall annually contribute $150,000 for such CMG operations. CMG shall maintain an operating account, and a reserve account. It is anticipated that tract-map applications and the 15-Year GHG True-Up as described below will require more staff work, but that neither of these reviews will occur during most years. It is further anticipated that Building Permit and Annual Report monitoring (as described below) will be substantially less complex over time.

2. For each year of funded CMG operations following the County Approval of First VTTM , the Board shall contribute to a reserve account to hold funds in CMG's possession that exceed the projected budget for the next year, plus a 20% contingency factor. CMG shall accumulate such reserve amounts to reduce annual funding amounts. Once the reserve amount reaches $500,000, annual funding from Centennial shall be suspended until the balance of the reserve account is reduced to $200,000, at which time annual funding of $150,000 per year shall resume by Centennial. If the reserve amount is reduced to less than $200,000 at any time during a year, then Centennial will pay $150,000 in annual funding until the reserve amount reaches $500,000. If the CMG Board approves a request by Centennial to initiate the True-Up process, Centennial will pay $300,000 for the True-Up Year to CMG.

3. Commencing six months following the County Approval of First VTTM, and continuing each year thereafter, Centennial shall deliver to the CMG the sum of Good Neighbor Firewise Fund grant. The CMG will administer and distribute such funds consistently with this Agreement. The fire-related funds will not count as CMG operating funds and will not be subject to the reserve limitations in paragraph 2 above.

e. Board Meetings. Procedures for conducting Board meetings shall be set forth in the By-Laws of the CMG, which shall be consistent with the provisions of this Agreement and include, without limitation, the following provisions:

1. The Board shall meet at least twice annually (on the last Thursday of April and October, or such other dates in those months as the Board shall determine), or more frequently as requested by the Centennial Appointees or the Climate Resolve Appointees. Any Board member may propose an item to be placed on the Agenda, and all such items shall be included in the Agenda.

2. The Board will schedule the first meeting of each year on the last Thursday of April after the Board's receipt of the Annual Report on March 1, as specified in Section 1.f above. At this meeting, the Board will evaluate the Annual Report to determine whether Centennial is in compliance with the terms of this Agreement. In particular, the Board's evaluation shall specifically consider whether Centennial has funded GHG emissions mitigation projects and actually received Mitigation Credits with respect to particular phases of the Project to verify that Centennial has satisfied its GHG emissions mitigation plans contained in prior Annual Reports and in GHG Mitigation Plans previously reviewed by the Board. The Board may request further information from Centennial if needed for the evaluation. The CMG Board shall review the Annual Report, and inform Centennial of any perceived non-compliance with this Agreement. If there is any perceived non-compliance, then the dispute resolution process may be commenced by the CMG.

3. The agenda for the second meeting of the Board each year will include (i) awarding grants to Good Neighbor Firewise Fund grant applicants, and (ii) updated information to the extent relevant, including for example changed forecasts, corrective actions, or other relevant activities. The Board or the staff of the CMG upon delegation by the Board, shall promulgate procedures for soliciting, accepting and reviewing Good Neighbor Firewise Fund grant applications and for distributing and monitoring such grants that are awarded.

4. The Board will hold a special meeting within thirty days after the CMG receives a GHG Mitigation Plan, as described in Section 1.f above. At that meeting it will accept or dispute that plan, based on its compliance with the terms of this Agreement. If the Board disputes the plan, the CMG will undertake the CMG Dispute Resolution process described in Section 3.f to bring Centennial into compliance, if necessary.

5. The Board may hold special meetings as necessary to approve or evaluate agendized reports received from Centennial, including but not limited to reports including requests by Centennial that CMG review and accept Non-Itemized GHG Mitigation Measures proposed by Centennial that are not included in an approved Registry but which result in a quantified GHG Mitigation Credit for purposes of this Agreement, or other information relating to Centennial's compliance with this Agreement and to provide Centennial sufficient opportunity, prior to filing an application for any building permit for, or undertaking any construction activities at a particular phase of the Project, to establish that Centennial has funded GHG emissions mitigation projects and actually received Mitigation Credits for each phase in sufficient amounts to be consistent with GHG emissions mitigation plans contained in prior Annual Reports and in GHG Mitigation Plans previously submitted to the Board.

6. The presence (in person or telephonically) of all then-current members of the Board at any meeting of the Board shall establish a quorum for that meeting, and all actions undertaken or decided by the Board at meetings establishing a quorum shall be effective; provided, however, that the presence (in person or telephonically) the Centennial and Climate Resolve Appointees shall be a quorum for purposes of identifying the Neutral, and in the event of the unavailability of a Neutral the Centennial and Climate Resolve Appointees may by unanimous consent make decisions.

f. CMG Dispute Resolution

1. If the CMG finds, by a majority vote of the Board, that Centennial has violated this Agreement, or if the CMG fails to approve an Annual Report or GHG Mitigation Plan, or if the CMG finds that Centennial is not implementing the FPP, the CMG will meet and confer with Centennial to resolve the issue.

2. If the meet and confer fails to resolve the issue, the CMG will take the issue to arbitration in Los Angeles County before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules & Procedures, with the following modifications:

   a) The CMG shall file and serve on Centennial a Notice of Commencement of Arbitration and an opening brief with a maximum length of 20 pages, and include all relevant documentation as exhibits to that brief.

   b) Centennial shall file a response brief of the same maximum length, which shall also include all relevant documentation as exhibits to that brief.

   c) The arbitrator shall meet and confer with each Party to identify the need for any further briefing or documentation.

   d) Each Party shall respond to the arbitrator within 30 days with supplemental briefs of up to 20 additional pages and submit additional documentation as exhibits.

   e) The arbitrator will determine whether a hearing is necessary and if so, shall specify the date and time of a hearing.

   f) The arbitrator will thereafter make a final decision which is binding on CMG and Centennial. The Arbitrator may make any awards necessary to bring Centennial into compliance with this Agreement, including injunctive relief and specific performance. If the issue involves CMG's approval of a report or plan, the Arbitrator may approve the report or plan, or may order Centennial to take any actions necessary to ensure Centennial's compliance with this Agreement.

3. Nothing in this Agreement precludes a Party from disclosing the commencement or completion of an arbitration proceeding, and any final arbitrator determination. Commencement of the arbitration process, and disclosure of the arbitration award, shall not constitute Opposition for purposes of this Agreement.

4. CMG will pay the costs of arbitration unless the arbitrator rules otherwise. The arbitration will take place as noticed by JAMS regardless of whether one of the parties fails or refuses to participate. The Parties' intent is that the arbitration process shall be completed within 90 days following service of the Notice of Commencement of Arbitration.

Should the arbitrator in a CMG-initiated arbitration find that Centennial is not in compliance with one or more of its obligations under the Agreement or otherwise make a ruling to resolve a controversy between CMG and Centennial, the arbitrator's award may require Centennial to comply with Centennial's obligations under this Agreement. The Parties' intent and

agreement is that the arbitration award shall require specific performance of GHG and wildfire obligations of Centennial under this Agreement. In the award, the arbitrator shall determine a reasonable period of time in which Centennial must complete its specific performance obligations. The arbitrator shall retain jurisdiction over the matter arbitrated to ensure that Centennial complies with the award and, upon any failure by Centennial to comply with such an award in a timely fashion, the arbitrator may issue such further awards, which may include requiring Centennial to pay the costs and expenses of the arbitration and CMG's costs expended in the arbitration for consultants and attorneys.

4 Mutual Releases of Claims

a. Except as otherwise provided in this Agreement, Climate Resolve forever waives, releases, and discharges Centennial and Tejon Ranchcorp, the Tejon Ranch Co. (a Delaware corporation), and their affiliates, assigns, subsidiaries, parent entities, and each of their respective employees, officers, directors, members, staff, agents, attorneys, and/or representatives, and each of them (collectively, the "Centennial Released Parties"), from any and all claims, lawsuits, administrative and judicial proceedings, appeals, demands, challenges, liabilities, damages, fees, costs, and causes of action, at law or in equity, known or unknown, in any jurisdiction and before any court, agency, or tribunal (collectively and severally, "Claims") that Climate Resolve has ever had, have, or may have against the Centennial Released Parties, or any of them, arising in any way from or related in any way to the Project, including without limitation, the claims brought by, or that could have been brought by Climate Resolve in the Litigation. Climate Resolve agrees that upon full execution of this Agreement, all Claims shall be extinguished and this Agreement shall be a full, complete and final disposition and settlement of all Claims against Centennial and Tejon Ranchcorp to all matters and issues alleged or raised, or could have been alleged or raised in the CR Litigation. Accordingly, Climate Resolve stipulates and agrees that res judicata and collateral estoppel apply to each of the Claims and actions relating to the Litigation, so that Centennial is forever barred from re-litigating any Claims, matters, and issues which were alleged or raised or could have been alleged or raised, in any other manner in the Litigation.

b. Except as otherwise provided in this Agreement, Tejon Ranchcorp and Centennial release Climate Resolve, its affiliates, subsidiaries, parent entities, and each of their respective employees, officers, members, staff, agents, attorneys, and/or representatives, and each of them (collectively, the "CR Released Parties") from any and all Claims that Centennial has ever had, have, or may have against the CR Released Parties, or any of them, arising in any way from or related in any way to the Project, including without limitation, the Litigation.

c. Civil Code Section 1542 Waiver. To the extent applicable to the foregoing Mutual Releases of Claims, the Parties certify that they have been advised of and hereby waive the application of Section 1542 of the California Civil Code, which states as follows:

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

Climate Resolve: _____ Centennial: _____

Tejon Ranchcorp: _____

d. Nothing in this Section shall be interpreted as releasing any Party's right to enforce this Agreement in full as provided in Section 5 herein.

e. Nothing in this Agreement shall prevent Centennial and/or Project tenants, landlords, lessors, lessees, homeowners, or landowners from using the obligations under this Agreement also to satisfy any obligation imposed by laws or regulations, or contractual obligations, including but not limited to third party settlement agreements, whether such law or regulation or contractual obligation arise before or after the Effective Date. Notwithstanding the foregoing, any GHG mitigation credits used to comply with the requirements of this Agreement shall not be used to satisfy GHG obligations imposed by contractual obligations for projects other than the Project, including but not limited to third party settlement agreements that arise before or after the Effective Date; provided, however, that GHG mitigations not used for the Project may be used to satisfy GHG obligations as mandated by law or regulation for the Project or a project on Tejon Ranch.

5 Dispute Resolution

a. Meet and Confer. In the event of any dispute between the Parties related to this Agreement or the Project, the Party initiating the dispute shall, before taking any other action concerning that dispute, provide written notice of the dispute to the other Party and meet and confer in person in a good-faith effort to resolve the dispute within sixty days of the notice, unless otherwise agreed. Any Party that is alleged to be in breach of this Agreement shall have ninety days from that in-person meeting to cure, unless otherwise agreed.

b. Arbitration. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles County before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules & Procedures, with the following modifications:

1. The Party initiating arbitration shall file and provide notice to the other Party of a Notice of Commencement of Arbitration and an opening brief with a maximum length of 20 pages, and include all relevant documentation as exhibits to that brief.

2. The opposing Party shall file a response brief of the same maximum length, which shall also include all relevant documentation as exhibits to that brief.

3. The arbitrator shall meet and confer with each Party to identify the need for any further briefing or documentation.

4. Each Party shall respond to the arbitrator within 30 days with supplemental briefs of up to 20 additional pages and submit additional documentation as exhibits.

5. The arbitrator will determine whether a hearing is necessary and if so, shall specify the date and time of a hearing.

c. The arbitrator will thereafter make a final decision which is binding on the Parties. The Arbitrator may make any awards necessary to bring Centennial into compliance with this Agreement, including injunctive relief and specific performance.

d. Each Party shall bear its own arbitration costs unless the arbitrator rules otherwise. The arbitration will take place as noticed by JAMS regardless of whether one of the parties fails or refuses to participate.

e. The Parties' intent is that the arbitration process shall be completed within 90 days following service of the Notice of Commencement of Arbitration.

6 Miscellaneous Provisions

a. Successors and Assigns. This Agreement is personal to Climate Resolve, Centennial and Tejon Ranchcorp and the Parties may not assign or transfer their interests under this Agreement except as set forth in this Section 6.a. It is contemplated the Project will be developed over time on a lot-by-lot basis by third party developers and home builders. The Parties understand and agree that Centennial and/or Tejon Ranchcorp may freely assign, in their sole and absolute discretion, from time to time, and at any time, the performance of obligations under this Agreement on portions of the Project to future builders or other parties, but Centennial and/or Tejon Ranchcorp will remain obligated to Climate Resolve if such successors or assigns fail to perform any such assigned obligations (e.g., the installation of EV chargers for Residential and Non-Residential buildings as described in Section 1.a of this Agreement). In the event the entirety of the Project is sold, transferred or conveyed to a non-affiliated third party, including but not limited due to an asset sale, land sale or the sale of either underlying company ("Transfer"), Centennial and Tejon Ranchcorp shall have the right in their sole and absolute discretion to freely assign their interests under this Agreement to a third party receiving such a Transfer, so long as the following two conditions are met: (1) the Transfer must be to an entity with the financial and physical capability of assuming the assigned obligations; and (2) the third-party assignee must agree to assume Centennial's and Ranchcorp's obligations to Climate Resolve (as an intended third party beneficiary to the Assumption Agreement) under this Agreement ("Assumption Agreement")." After such an assignment Centennial

and Ranchcorp shall be fully released at the time of such Transfer from any and all duties or obligations arising from or related to this Agreement. As of the Effective Date, the Parties hereby warrant and represent to one another that neither Party has heretofore assigned or transferred or purported to assign or transfer to any person or entity any of the claims released under Section 4 above.

b. Choice of Law. This Agreement shall be interpreted under the laws of the State of California.

c. No Construction against Drafter. For purposes of any action arising out of the application, interpretation, or alleged breach of this Agreement brought by either Party, each Party waives California Civil Code Section 1654, any other statutory or common law principle of similar effect, and any judicial interpretation of this Agreement that would create a presumption against the other Party as a result of its having drafted any provision of this Agreement. The respective Parties have reviewed and revised this Agreement, and there shall not be applied any rule construing ambiguities against the drafting Party or Parties.

d. Severability. In the event that any provision of the Agreement shall be held invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provisions hereof unless any of the state purposes of the Agreement would be defeated.

e. Entire Agreement. This Agreement contains the entire understanding and complete agreement of the Parties with respect to the subject matter of this Agreement, and all understandings and agreements, if any, previously reached between the Parties are merged into this Agreement. No amendment or modification of this Agreement shall be valid or binding upon the Parties unless made in writing and executed by both Parties.

f. Exhibits. All Exhibits to this Agreement are incorporated herein by reference, and are listed herein for ease of reference:

Exhibit 1: Fire Protection Plan

Exhibit 2: Boundaries of Tejon Ranch

Exhibit 3: GHG Calculations in Agreement of BAU, and Itemized and Non-Itemized GHG Mitigation Measures, with Reporting Template for Tracking Planning and Compliance with Net Zero GHG Project Obligations for Purposes of this Agreement

Exhibit 4: Public Statement

g. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution of a copy shall have the same force and effect as execution of an original.

h. Amendment. This Agreement may not be amended except in a writing signed by each of the Parties hereto.

i. Cooperation. The Parties agree to cooperate to draft and execute any documents, or to enter into any further agreements or plans, necessary or convenient to effectuate the intent of this Agreement.

j. Mitigation. Based on standard GHG accounting principles of both additionality and double-counting, no GHG mitigation used for the Project may be used for any other project. Further, any GHG mitigation required under this Agreement shall not be used to satisfy GHG obligations imposed by contractual obligations for projects other than the Project, including but not limited to third party settlement agreements that arise before or after the Effective Date; provided, however, that GHG mitigations not used for the Project may be used to satisfy GHG obligations as mandated by law or regulation for the Project or a project on Tejon Ranch.

k. No Admission of Liability. This Agreement is a compromise of disputed claims and the fact that the Parties hereto have determined to compromise such disputed claims by entering into this Agreement is not to be construed as an admission of liability or otherwise on the part of the Parties.

l. Public Communications Regarding Agreement. On December 1, 2021, Centennial and Climate Resolve shall jointly issue a public statement substantially in accordance with the attached Exhibit 4 to this Agreement. The Parties agree that the Parties' future public statements concerning the Litigation, the Project, the Los Angeles County Initial Project Approvals, the Future Implementation Approvals, or other issues shall not be inconsistent with the joint public statement.

m. Confidentiality. This Agreement shall not be confidential, but the Parties shall keep documents exchanged during the process of negotiating this Agreement confidential as required by the Mutual Non-Disclosure Agreement dated June 18, 2021. The Parties agree not to comment publicly about the process of negotiating this Agreement, but are free to publicly comment on the Agreement and its public-policy implications, subject to the restrictions in Section 6.l above.

n. Tolling. The Parties understand and agree that performance of Centennial and/or Tejon Ranchcorp obligations under this Agreement are dependent upon the ongoing development of the Project. To the extent any third-party challenge or action results in the cessation of development (by way of example only, through litigation challenges to subsequent approvals, denials or delays in subsequent approvals, or the absence of market financing for development), the obligations of Centennial and/or Tejon Ranchcorp under this Agreement that have not yet been triggered are thereafter tolled until development of the Project recommences. Centennial shall provide notice of the commencement of a Tolling Period to the CMG Board. This tolling does not relieve

Centennial from the obligation to provide GHG Reductions for new structures prior to occupancy under building permits as described above. To the extent the tolling period lasts longer than six months, the amount of annual funding due for FPP implementation, Good Neighbor Firewise Fund grant funding, and CMG funding, shall be reduced pro rata by the number of Dwelling Units, and amount of square feet of Non-residential, for which certificates of occupancy have been approved in relation to the number of Dwelling Units and square feet of Non-residential which the County approved as of the Effective Date.

o. Force Majeure. No Party shall be responsible or liable for any failure or delay in the performance of its obligations pursuant to this Agreement arising out of or caused by, directly or indirectly, forces beyond the Party's reasonable control, including, without limitation, fire, explosion, floods, acts of war or terrorism, national emergencies, pandemics, strikes, or riots. Any party claiming a Force Majeure event shall use reasonable diligence to remove the condition that prevents performance and shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the Force Majeure event. Each Party shall use its best efforts to mitigate the effects of such Force Majeure event, remedy its inability to perform, and resume full performance of its obligations hereunder. A Party suffering a Force Majeure event ("Affected Party") shall notify the other Party ("Non-Affected Party") in writing ("Notice of Force Majeure Event") as soon as reasonably practicable specifying the cause of the event, the scope of commitments under the Agreement affected by the event, and a good faith estimate of the time required to restore full performance. Except for those commitments identified in the Notice of Force Majeure Event, the Affected Party shall not be relieved of its responsibility to fully perform as to all other commitments in the Agreement.

p. Termination and Term. The Parties may by mutual agreement terminate this Agreement. The Agreement shall remain in effect until the earlier of thirty years from the Effective Date, or the date upon which building permits have been issued for full build-out of the contemplated square footage of improvements to be built within the Project

q. No Third-Party Beneficiaries. There are no third-party beneficiaries of this Agreement, and nothing in this Agreement creates or may be interpreted as creating a property interest in the Project Site or on Tejon Ranch held by Climate Resolve.

r. Authority. Each signatory to this Agreement represents and warrants that he or she is authorized to sign this Agreement on behalf of the Party for which he or she is signing, and thereby to bind that Party fully to the terms of this Agreement.

s. Notices. All notices shall be in writing and shall be addressed to the affected Parties at the addresses set forth below. Notices shall be: (a) hand delivered to the addresses set forth below, in which case they shall be deemed delivered on the date of delivery, as evidenced by the written report of the courier service; (b) sent by certified mail, return

receipt requested, in which case they shall be deemed delivered five business days after deposit in the United States mail; or (c) transmitted by email in which case they shall be deemed delivered on the date of transmission if sent before 5:00 p.m. or on the first business day after transmission if sent at 5:00 p.m. or later or if sent on a Saturday, Sunday, or California court holiday, provided the Party transmitting notice by email does not receive a delivery status notification indicating that delivery of the email communication failed. Any Party may change its address, its email, or the name and address of its attorneys by giving notice in compliance with this Agreement. Notice of such a change shall be effective only upon receipt. Notice given on behalf of a Party by any attorney purporting to represent a Party shall constitute notice by such Party if the attorney is, in fact, authorized to represent such Party. The addresses and email addresses of the Parties are:

For Climate Resolve:	Jonathan Parfrey Email: jparfrey@climateresolve.org Address: 525 S. Hewitt Street, Los Angeles, CA 90013
With Copy to Counsel:	Dean Wallraff Email: dw@aenv.org Address: Advocates for the Environment, 10211 Sunland Blvd., Shadow Hills, CA 91040
For Centennial:	Greg Bielli, President & CEO Tejon Ranchcorp Email: gbielli@tejonranch.com Address: P.O. Box 1000, Tejon Ranch CA 93243
With Copy to Counsel:	Marc Hardy, General Counsel Email: mhardy@tejonranch.com Address: P.O. Box 1000, Tejon Ranch CA 93243 Jennifer Hernandez, Holland & Knight Email: Jennifer.hernandez@hklaw.com Address: 400 S. Hope St., 8th Floor , Los Angeles CA
For Tejon Ranchcorp.	Greg Bielli, President & CEO Email: gbielli@tejonranch.com Address: P.O. Box 1000, Tejon Ranch CA 93243
With Copy to Counsel:	Marc Hardy, General Counsel Email: mhardy@tejonranch.com Address: P.O. Box 1000, Tejon Ranch CA 93243

Jennifer Hernandez, Holland & Knight
Email: Jennifer.hernandez@hklaw.com
Address: 400 S. Hope St., 8th Floor , Los Angeles CA

[SIGNATURES FOLLOW ON NEXT PAGE]

In Witness Whereof, the Parties have executed this Agreement effective As of the Effective Date.

Tejon Ranchcorp, a California corporation

Date: November 30, 2021

By: Gregory S. Bielli
Its: President & CEO

Centennial Founders, LLC, a Delaware limited liability company
By Tejon Ranchcorp, a California corporation, its Development Manager

Date: November 30 2021

By: Gregory S. Bielli
Its: President & CEO

Climate Resolve, a California nonprofit public benefit corporation

Date: November ___, 2021

By: Jonathan Parfrey
Its: President

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Exhibit 1 - Fire Protection Plan

Fire Protection Plan for Centennial Specific Plan

Prepared for:

Centennial Founders, LLC
28480 Avenue Stanford, 2nd Floor
Santa Clarita, California 91355

Prepared by:

DUDEK
605 Third Street
Encinitas, California 92024
Phone: 760.479.4836
Fax: 760.479.4176

November 2021

1. INTRODUCTION

This Fire Protection Plan (FPP) has been prepared by Dudek and is specifically applicable to the Centennial Specific Plan community (Project) in Los Angeles County (County). This FPP is intended to guide the design, construction, and maintenance of Project improvements in compliance with the Centennial Specific Plan (Specific Plan), applicable fire codes, and the various fire safety mitigation measures described in the Mitigation Monitoring and Reporting Program (MMRP) approved for the Project by the County (collectively, the Fire Safety Requirements, all of which are described in detail on the attached Exhibit A). This FPP address fuel modification, fire protection related infrastructure (water supply, hydrants, primary and second ingress/egress roads, and emergency response) and structural fire protection concepts for the Project. This FPP also addresses how the Project's Fire Safety Requirements will be monitored and enforced over time, as well as the how the Project's master developer will ensure that Project residents are fully educated about their obligations to maintain a fire-safe home. The goal of this FPP is to provide standards to facilitate development of the Project as a "fire hardened" community that will protect Project residents and visitors, as well as the environment, by minimizing and mitigating fire threats on the Project site and reducing Project demands on local fire protection services.

2. OVERVIEW OF THE PROJECT'S FIRE PROTECTION FRAMEWORK

As explained in the Centennial Project Final Environmental Impact Report, State Clearinghouse No. 2004031072 (EIR), the Project would introduce urban development in an undeveloped area subject to wildfire hazards.[1] Fire protection for new developments that, like the Project, are located in a Wildland Urban Interface (WUI) area must utilize a "systems approach" consisting of the components of fuel modification and maintenance, ignition-resistant structures that accounts for expected (potential) exposures (e.g., embers only, radiant heat from adjacent structures or vegetation), water supply, fire protection systems, access (ingress/egress) and emergency response. To that end, this Project will include:

- Substantial on-site firefighting capability (three new fire stations, upgrades to existing fire station), thus ensuring fast response to fire and medical emergencies;
- Customized and peer-reviewed fuel modification zones providing defensible space based on fire behavior modeling results and experienced fire protection planning professionals;
- Ignition-resistant construction meeting Chapter 7A of the California Building Code (CBC), the Title 26 the County of Los Angeles Building Code (LABC), and the Los Angeles County Fire Department (LACoFD) requirements and providing temporary on-site relocation capability for some structures;

[1] Please refer to EIR Chapter 3, *Environmental Setting*, for a detail description of the Project site and its surroundings, and to EIR Chapter 4, *Project Description*, for a detailed description of the Project and its proposed improvements.

- Fire protection systems, including internal fire sprinkler systems, in all structures per applicable code requirements;
- Dedicated fire apparatus and emergency vehicle access via code compliant roads;
- Water capacity, delivery and availability meeting local code requirements;
- Ongoing, funded maintenance, inspections, and enforcement of fuel modification zones and other fire protection features.
- Ongoing resident fire safety education.

The following sections address implementation of the Project's Fire Safety Requirements.

3. IMPLEMENTATION OF THE PROJECT'S FIRE PROTECTION FRAMEWORK

Future development of the Project in accordance with the Specific Plan will require various subsequent discretionary and ministerial approvals from the County, including but not limited to, tentative subdivision maps, final subdivision maps, site plans, conditional use permits, grading permits, and building permits. Initial implementation of the Project's fire protection measures will occur at various stages of the subsequent approval process, as discussed in the Specific Plan, the EIR, and the MMRP. This section describes how each of the Project's fire safety measures will be implemented at various stages of the development process, and describes how the Fire Safety Requirements will be satisfied during Project operation.

a. Fire Safety Requirements Implemented at the Tentative Map Stage of Development.

Pursuant to the Specific Plan and MMRP, the following Fire Safety Requirements will be implemented concurrent with the County's review and approval of any Project tentative subdivision map:

i. Emergency Response Plan

The MMRP requires the Project to prepare an Emergency Response Plan (ERP), which shall be updated as needed for each Tentative Map, and shall be submitted to the County (California Department of Forestry and Fire; and County Fire Department and/or County Sheriff's Department) for review and approval. The ERP will utilize existing information from Los Angeles County Office of Emergency Management, coordinate with County emergency planners, and provide site specific procedures for various emergency situations including wildfire. As required by the DA, the Property Owners shall require future residential and commercial property owners associations to develop and implement an emergency preparation and response plan, including shelter-in-place and evacuation plans as well as first aid and emergency electric power supplies.

With regard to wildfire emergencies, the following components shall be incorporated into the ERP:

- Building and Facility Protection (as defined in this FPP)
- Grounds Protection (fuel modification zone adjacent to common areas and some residential lots purpose)
- Fire Prevention during High Fire Danger and Extreme High Fire Danger periods
- Emergency Supplies
- Telephones/Communications
- FireSafe Council and NFPA Firewise Community Information
- Incident Command List
- Emergency Response Notebook
- Annual Review and Update
- Emergency Notification Procedures
- Advisement of Potential Fire Danger
- Emergency Relocation/Evacuation Plan
- Animal Relocation/Evacuation Plan.

The ERP will provide detailed response procedures for varying types of emergencies, including wildfire emergencies.

Possible wildfire response procedures included in the ERP would vary depending on the type of wildfire threat. Slow moving, distant wildfires that have the *potential* to threaten the Project would require one response whereas a fast moving, wind driven fire nearby or within the Project site would trigger a very different response. Accordingly, the ERP will include response for various types of wildfire emergencies. The following summaries provide potential responses to be considered for various wildfire emergency response scenarios.

Wildfire Emergency Response Scenario

- Fire authority notification of wildfire in jurisdiction, determination of activation of reverse 9-1-1 or mass notification system (if available or provided by Project).
- Reverse 9-1-1 activated – all telephone numbers within district notified via a computer of the fire situation (capable of 264 calls per minute or 15,000 calls within an hour, or more, dependent on system).
- In the absence of Reverse 9-1-1 (for example, should communications be interrupted), fire department sirens and law enforcement intercoms will be used to

inform residents of emergencies. The fire department sirens and police intercoms will be audible by affected parts of the Centennial Specific Plan Project area. The fire department sirens and police intercoms will also be used to supplement the Reverse 911 system.

- On-site LACoFD personnel and law enforcement personnel begin emergency response procedures.

- Centennial employers and residents receive reverse notification call or hear warning sirens and prepare for potential evacuation or on-site relocation.

- If relocation required/recommended, internal relocation plan initiated and residents relocated to designated on-site or off-site areas. LACoFD would direct residents, staff and visitors as well as coordinate with the California Highway Patrol for on-site traffic management.

On-Site Relocation/Off-Site Evacuation Response Scenarios

On-site relocation of Project residents, employees and visitors would typically occur during large, distant wildfire events that, due to weather patterns and difficulty in gaining control, have the potential to threaten parts of the Centennial community but likely do not threaten the entire community. Off-site evacuation would typically occur during large wildfire events that may be closer to the Project and threaten the entire community due to weather patterns and fire containment levels. The required ERP shall plan for both on-site relocation and off-site evacuation scenarios.

If on-site relocation or off-site evacuation of Project residents, visitors and employees of businesses is required in response to a fire threat, the following procedures would be followed and included in the ERP (NOTE: Relocation/evacuation of the Project residents, visitors, and employees, at maximum usage, may require several hours).

- If adequate time is not available for community relocation, partial community relocation may occur. Fire and law enforcement personnel will monitor the situation and relocations will cease when it is determined that it would potentially expose persons to unsafe roadway conditions.

- It is expected that law enforcement will manage the relocation/evacuation of residents. Road closures and traffic control will be among the tasks performed by law enforcement. In addition, each resident will be provided a road circulation map along with at least two designated evacuation routes.

- Law enforcement and LACoFD would evaluate the wildfire event and determine whether and at which point partial on-site relocation would occur, or whether the emergency requires community-wide off-site evacuation. Allowance for adequate relocation/evacuation time will be a key factor in determining the relocation timeframe so that the roads do not become congested. Firefighter access will be a key

priority and the array of improved roads will provide suitable access throughout the site in the event of a wildfire.

- Relocation/evacuation would occur in scenarios that include ample time to relocate the potentially affected number of people from higher exposure areas to designated safer sites. Wolshon and Marchive (2007) simulated traffic flow conditions in a computer derived WUI under a range of evacuation notice lead times and housing densities. To safely evacuate more people, they recommended that emergency managers (1) provide more lead time to evacuees and (2) control traffic levels during evacuations so that fewer vehicles are trying to exit at the same time.

- The Project and its structures will be designed and constructed to withstand the type of wildfires anticipated from the surrounding fire environment. Nevertheless, early notification of the Project's fire personnel and subsequently of Project residents, visitors and employees is critical to the timely and safe relocation/evacuation to the designated relocation/evacuation areas.

- Whether to implement on-site relocation scenario would depend on the wildfire location, movement and weather and how it may affect traffic on local roads. There may also be circumstances that require partial on-site relocation of the Project's higher exposed periphery areas. In these cases, potentially affected residents would be instructed to relocate to on-site areas, such as schools or commercial areas, where they will be temporarily accommodated until the wildfire threat has passed.

- On an annual basis, it is recommended that the Project conduct a fire relocation/evacuation fire drill to train staff, and fire personnel, with the results distributed to residents through various media and summarizing what to do during a wildfire. This drill will be supervised by the LACoFD with the authority to revise the procedure as necessary to provide the most efficient and safest relocation process. Residents will not be required to relocate or evacuate during the drills, but the process and procedures will be enforced through pre-drill public relations and post-drill information dissemination.

- Homeowners will receive ongoing outreach from the HOA along with coordination with LACoFD for important fire safety awareness from the Firewise Committee/Board.

- If on-site relocation or off-site evacuation is required, residents will be notified and directed as to their movement to designated areas or notified that they should remain in their homes according to procedures with LACoFD direction and oversight.

The ERP will provide that the Project will implement the "Ready, Set, Go!" program during the relocation/evacuation scenario. The focus of the "Ready, Set, Go!" program is on public awareness and preparedness, especially for those living in the wildland-urban interface (WUI) areas. The program is designed to incorporate the local fire protection agency as part of the training and education process in order to ensure that evacuation preparedness

information is disseminated to those subject to the potential impact from a wildfire. There are three components to the program:

- "READY" – Preparing for the Fire Threat: Take personal responsibility and prepare long before the threat of a wildfire so you and your home are ready when a wildfire occurs. Create defensible space by planting and maintaining ignition-resistant vegetation near your home. Use only fire-resistant landscaping and maintain the ignition resistance of your home. Assemble emergency supplies and belongings in a safe spot. Confirm you are registered for Reverse 911(if available), Alert LA County, and community alert system. Make sure all residents residing within the home understand the plan, procedures, and escape routes.

- "SET" – Situational Awareness When a Fire Starts: If a wildfire occurs and there is potential for it to threaten the Centennial community, pack your vehicle with your emergency items. Stay aware of the latest news from local media and your local fire department for updated information on the fire. If you are uncomfortable, leave the area.

- "GO!" – Leave Early! Following your Action Plan provides you with knowledge of the situation and how you will approach evacuation. Leaving early, well before a wildfire is threatening your community, provides you with the least delay and results in a situation where, if a majority of neighbors also leave early, firefighters are now able to better maneuver, protect and defend structures, evacuate other residents who couldn't leave early, and focus on citizen safety.

"READY SET GO!" is predicated on the fact that being unprepared and attempting to flee an impending fire late (such as when the fire is physically close to your community) is dangerous and exacerbates an already confusing situation.

Shelter-in-Place Scenario

Sheltering-in-place is the practice of going or remaining indoors during or following an emergency event. This procedure is recommended if there is little time for the public to react to an incident and it is safer for the public to stay indoors for a short time rather than travel outdoors. Sheltering-in-place also has many advantages because it can be implemented immediately, allowing people to remain in their familiar surroundings, and providing individuals with everyday necessities such as telephone, radio, television, food, and clothing. However, the amount of time people can stay sheltered-in-place is dependent upon availability of food, water, medical care, utilities, and access to accurate and reliable information.

Sheltering-in-place is the preferred method of protection for people that are not directly impacted or in the direct path of a hazard. This will reduce congestion and transportation demand on the major transportation routes for those that have been directed to evacuate by police or fire personnel. All structures in Centennial community would conform to the ignition-resistant building codes codified in Chapter 7A of the California Building Code, therefore, structures would be ignition-resistant, defensible and designed to require minimal

firefighting resources for protection, which enables this contingency option when it is considered safer than evacuation.

As of this document's preparation, no community in California has been directed to shelter-in- place during a wildland fire. Even the communities in Rancho Santa Fe, California, which are designed and touted as shelter-in-place communities, were evacuated during the 2007 Witch Creek Fire. This is not to say that people have not successfully sheltered-in-place during wildfire, where there are numerous examples of people sheltering in their homes, in hardened structures, in community buildings, in swimming pools, and in cleared or ignition-resistant landscape open air areas. The preference will always be early evacuation following the "Ready, Set, Go!" model, but there exists the potential for unforeseen civilian evacuation issues, and having a contingency plan will provide direction in these situations that may result in saved lives.

Potential problems during wildfire evacuation from the Project site include:

- Inadequate time to safely evacuate
- Fire evacuations during rush hour traffic or when large events are occurring
- Blocked traffic due to accidents or fallen tree(s) or power pole(s)
- The need to move individuals who are unable to evacuate

It is recommended that local law enforcement and fire agencies conduct concerted pre-planning efforts focusing on evacuation contingency planning for civilian populations when it is considered safer to temporary seek a safer refuge than evacuation.

This FPP does not provide guarantee that all Project residents, employees and visitors will be safe at all times because of the advanced fire protection features it requires. There are many variables that may influence overall safety. This FPP provides requirements and recommendations for implementation of the latest fire protection features that have proven to result in reduced wildfire related risk and hazard.

ii. Implementation Plan

Per the MMRP Mitigation Measure MM 7-21, vegetation management for fire abatement purposes is not permitted in the portion of Significant Ecological Area (SEA) 17 or mitigation preserve areas within or bordering the Project site and, therefore, brush clearance zones shall be contained within the current Project impact boundary and no overlap with the adjacent SEA 17 and/or mitigation preserve areas shall occur. The MMRP further requires that an Implementation Plan, including fire risk abatement measures (including but not limited to vegetation management) required to comply with State and County fire prevention and response legal requirements shall be submitted as part of any application for a tentative subdivision map for those portions of the Project site that border an SEA or mitigation preserve area. The Implementation Plan must include: (a) a summary of applicable State and County fire risk abatement requirements; (b) a prohibition on the use of vegetation clearance within SEA 17 or mitigation preserve areas. The Implementation Plan shall be submitted to

the County for approval with the first tentative map, and shall be updated to include new or modified State or County fire risk abatement requirements as part of each subsequent tentative tract map submittal.

iii. Landscape Plan

As required by the MMRP, the Project Applicant/Developer shall develop a Landscaping Plan for review and approval by the County Biologist for each tentative map application submittal. The Landscaping Plan must be prepared by a qualified biologist and include a plant palette composed of fire-resistant, non-invasive species that are adopted to the conditions found on the Project site and do not require high irrigation rates. The MMRP further requires that the Landscaping Plan shall also include a list of invasive plant species prohibited from being planted or sold on the Project site and encourage planting of local natives typical of native vegetation within ten miles of the Project site. The Specific Plan's Green Development Program and Hillside Design Guidelines further require the Project to implement fire-safe landscaping techniques consistent with the Specific Plan's plant palette to reduce fire risks to biological resources and human safety in the fuel modification zones, and landscaping in a manner that, among other things, increases fire protection, respectively. Additionally, the Project's Specific Plan requires landscaping in the plan's Open Space Zone to be dominated by native and/or drought tolerant trees, shrubs and ground cover, taking into consideration fuel modification requirements, such as using plants that are fire resistant and avoid plants with characteristics that make them more readily combustible such as plants with oils, wax or resin content, plants that accumulate dead material or shed bark, and/or plants that grow rapidly. Plants selected will be consistent with LACoFD Planting Guideline regarding prohibited species and appropriate plant spacing with respect to zone location. Finally, the MMRP requires that the map applicant ensure that the approved Landscape Plan be provided to Project builders and all future Project occupants.

iv. Construction Traffic Control Plan

As required by the MMRP, the applicant must include in its application for any tentative map involving construction within the State Route 139 right-of-way a Traffic Control Plan prepared in accordance with the California Manual on Uniform Traffic Control Devices and approved by the California Department of Transportation (Caltrans). The MMRP further requires that all construction activities in the public right-of-way comply with the Traffic Control Plan to the satisfaction of Caltrans. The Traffic Control Plan shall ensure code-compliance access for fire apparatus and first responder vehicles.

v. Fire Access Infrastructure Conditions

Per the Subdivision Ordinance, each tentative map application and approved tentative map must demonstrate that that Project internal circulation system, site access, road dimensions, road connectivity, and other standards related to fire apparatus access are consistent with all applicable County's roadway and fire code standards. Thus, each approved Project tentative map shall require as a condition of final map approval that:

- all interior Project roads comply with all fire apparatus access road standards;

- all interior fire access roadways where a fire hydrant is located will be constructed to a minimum unobstructed road width of 26 feet, exclusive of shoulders and shall be improved with aggregate cement or asphalt paving materials;

- all fire access roadways that are designed to allow parking provide a minimum clear width of not less than 34 feet for parking on one side and a clear width of not less than 42 feet for parking on both sides;

- that the interior residential access roads are be designed to accommodate a minimum of a 75,000-pound (lb.) fire apparatus load;

- that any dead-end streets serving new residential structures that are longer than 150 feet have approved provisions for fire apparatus turnaround;

- that all private and public streets for each Project phase meet all applicable requirements of Title 32 of the Los Angeles County Code, as amended, and adopting by reference the 2019 edition of the California Fire Code (CFC), or current edition at time of Project approval (Fire Code);

- that all fire apparatus roads have an unobstructed width of not less than 20 feet, exclusive of shoulders, except for approved security gates in accordance with CFC Section 503.6, and an unobstructed vertical clearance clear to the sky to allow aerial ladder truck operation (provided that a minimum vertical clearance of 13 feet 6 inches may be allowed for protected tree species adjacent to access roads);

- that all roads with a median or center divider will have a minimum 20 feet unobstructed width on both sides of the center median or divider;

- that all roadways and/or driveways will provide fire department access to within 150 feet of all portions of the exterior walls of the first floor of each structure.

- that access roads will be completed and paved prior to issuance of building permits and prior to the occurrence of combustible construction.

- that the applicant will provide information illustrating the new roads, in a format acceptable to the LACoFD for use in updating LACoFD fire response maps; and

- that the curb-to-curb width of each private driveway and fire lane will be approved by the Los Angeles County Fire Department and Department of Public Works.

vi. Underground Utilities

As required by the County's subdivision ordinance, all tentative map applications must depict the location of proposed utility easements. As required by applicable standards, all of the Project's horizontal utilities, including but not limited electric transmission lines, will be installed underground to significantly reduce the potential for equipment-related fire starts.

vii. Identify Fire Station Locations

As required by the MMRP and DA, the Project shall provide at least three and up to four fully equipped fire stations on site. Per the DA, Fire Station # 1 must be a station of 10,000 square feet, Fire Station # 2 must be a station of 13,000 square feet, and Fire Station #3 must be a station of 10,000 square feet. Per the DA, two fire station sites shall have a building pad consisting of a net buildable area of 1.25 acres, and one shall have a net buildable area of 4 acres. All on-site fire stations must be fully equipped in accordance with applicable LACoFD standards. The general locations of the three required fire stations will be situated as identified on EIR Exhibit 4-1, but LACoFD shall have final approval over all fire station site locations. Per the DA, the final location of Fire Station #1 will be determined when a tentative map is approved for the Project's 1,000th residential unit, and the final locations of Fire Stations #2 and #3 will be determined at the time of any tentative map is approved for a Project residential unit that is located outside of a fire station's five-minute response time radius. Per the DA and MMRP, it remains to be determined whether the Project will be required to construct a fourth fire station, but such determination shall be made by LACoFD and shall be based on need established pursuant to MMRP Mitigation Measure MM 16-1. Finally, until such time as the Developer has conveyed to LACoFD and approved, operational and equipped fire station on the Project site, the applicant shall pay developer fees in accordance with the LACoFD Developer Fee Program, as provided in MMRP Mitigation Measure 16-2. Existing LACoFD Fire Station #77 shall serve the Project site until such time as Fire Station #1 is operational.

b. Fire Safety Requirements Implemented at the Final Map Stage of Development.

Pursuant to the Specific Plan and MMRP, the following Fire Safety Requirements will be implemented concurrent with the County's review and approval of any Project final subdivision map:

i. Fuel Modification Plan

Per the MMRP, the Project must prepare a Fuel Management Plan (FMP) demonstrating compliance with the Fire Code, which must be peer-reviewed by the California Department of Forestry and Fire Protection (CAL FIRE) and approved by LACoFD prior to recordation of the Project's first final subdivision map. An important component of a fire protection system for the Project is the provision for fire resistant landscapes and modified vegetation buffers. The FMP will establish Fuel Management Zones (FMZs) designed to provide vegetation buffers that gradually reduce fire intensity and flame lengths from fire advancing off-site or on-site by strategically placing thinning zones, restricted vegetation zones, and irrigated zones adjacent to each other on the perimeter of the WUI exposed structures. FMZs were originally developed by CAL FIRE to protect natural resources from urban area fires and over the years, have become essential to setting urban areas back from wildland areas with a dual role of protection structures and people while buffering natural areas from urban ignitions, reducing potential for urban fires to spread into wildland areas.

The Project will be exposed to naturally-vegetated open space to the north, south and west of the Project site, as well as agricultural lands to the east. For the Centennial Specific Plan

Project site, the FMZ widths between the naturally vegetated open space areas and all combustible structures are proposed to be 100, 150, or 200 feet. The FMZs will be constructed from structures outwards towards undeveloped areas. A 20-foot wide roadside FMZ along each side of the roads adjacent to the open space shall be required as well.

Although FMZs are very important for setting back structures from adjacent unmaintained fuels, the greatest concern is from firebrands or embers as a principal ignition factor. To that end, the Project site, based on its location and ember potential, is required to include the latest ignition and ember resistant construction materials and methods for roof assemblies, walls, vents, windows, and appendages, as mandated by the LACoFD and the County's Fire and Building Codes.

Per applicable County fuel modification requirements, each fuel modification areas will incorporate three zones, these are 1) a setback zone, 2) an irrigated zone, and 3) a thinning zone. The widths of the zones will vary, depending on the anticipated fire behavior. The widths will either total 100, 150, or 200 feet. Landscaping on private lots directly adjacent the WUI will include standard County fuel modification requirements. Flammable plant species will be restricted, spacing standards implemented, and basic low fuel requirements will be applicable per :LACoFD plant selection guidelines. The following descriptions provide details for the different fuel modification zones on site:

Zone A (Setback Zone)

- Irrigation by automatic or manual systems shall be provided to landscaping to maintain healthy vegetation with high live fuel moisture and greater fir resistance.

- Landscaping and vegetation in this zone shall consist primarily of green lawns, ground covers and adequately spaced shrubs and trees. The overall characteristics of the landscape shall provide adequate defensible space in a fire environment.

- Plants in Zone A shall be inherently highly fire resistant and spaced appropriately. Species selection should be made referencing Appendix E Fuel Modification Plant Reference. Other species may be utilized subject to approval by the Homeowners' Association (HOA).

- Except dwarf varieties or mature trees small in stature, trees are generally not recommended within Zone A, but are not prohibited.

- Vines and climbing plants shall not be allowed on any combustible structure.

- Target tree species (including but not limited to Eucalyptus, Pine, Juniper, Cypress, Cedar, Canary Island Date Palm, Mexican Fan Palm and Bougainvillea) shall not be allowed within 10 feet of combustible structure, defined as any accessory structure not required to be built to Chapter 7A building code standards (ex. Structures under 120 square feet).

- Within Zone A will be the Home Ignition Zone from 0 to 5 feet of the exterior wall surface of the building extending five feet on a horizontal plane.
    - This zone shall be continuous hardscape or limited to fire-resistive plantings acceptable to LACoFD.
    - Vegetation in this zone shall not exceed 6 to 18 inches in height and irrigation is required,
    - This zone shall be free of all combustible materials and the use of mulch is prohibited.

Zone B (Irrigated Zone)

- Irrigation by automatic or manual systems shall be provided to landscaping to maintain healthy vegetation with high live fuel moisture and greater fire resistance.
- Landscaping and vegetation in this zone shall consist primarily of green lawns, ground covers, and/or adequately spaced shrubs and trees. The overall characteristics of the landscape shall provide adequate defensible space in a fire environment.
- Plants in Zone B shall be fire resistant and spaced appropriately. Species selection should be made referencing Centennial Specific Plan, Table 3-7, "Plant List," in Section 3.3, "Landscape Plan." Other species may be utilized subject to approval by the HOA.

Zone C (Native brush thinning zone)

- Irrigation systems are not required for this zone.
- Landscaping and vegetation in this zone may consist of modified existing native plants, adequately spaced ornamental shrubs and trees, or both. There may also be replacement landscape planting with ornamental or less flammable native species to meet minimum slope coverage requirements of County Public Works or Parks and Recreation Landscape or Hillside ordinances. In all cases the overall characteristics of the landscape shall provide adequate defensible space in a fire environment.
- Existing native vegetation shall be controlled by thinning and removal of species constituting a high fire risk; including but not limited to laurel sumac, chamise, ceanothus, sage, sage brush, buckwheat, and California juniper. Please reference the County Fuel Modification Plant Reference.
- Fuel loads shall be reduced by pruning up the lower one-third of remaining trees or shrubs and removing dead wood. Native plants may be thinned by reduced amounts as the distance from development increases.
- Plants in Zone C shall be spaced appropriately. Species selection should be made referencing the County Fuel Modification Plant Reference.

- General spacing for existing native shrubs is 15 feet between canopies. General spacing for existing native trees is 20 feet between canopies.

The distance requirements for each zone are described below:

- 200-foot Setback
    - Zone A extends 20 feet from the edge of any combustible structure, accessory structure, appendage or projection.
    - Zone B extends from the outermost edge of Zone A to 100 feet from structure (or 80 feet from the outermost edge of Zone A).
    - Zone C extends from the outermost edge to Zone B to 200 feet from structure (or 100 feet from the outermost edge of Zone B).
- 150-foot Setback
    - Zone A extends 20 feet from the edge of any combustible structure, accessory structure appendage, or projection.
    - Zone B extends from the outermost edge of Zone A to 50 feet from the structure (or 30 feet from the outermost edge of Zone A).
    - Zone C extends from the outermost edge of Zone B to 150 feet from the structure (or 100 feet from the outermost edge of Zone B).
- 100-foot Setback
    - Zone A extends 20 feet from the edge of any combustible structure, accessory structure, appendage, or projection.
    - Zone B extends from the outermost edge of Zone A to 50 feet from the structure (or 30 feet from the outermost edge of Zone A).
    - Zone C extends from the outermost edge of Zone B to 100 feet from the structure (or 50 feet from the outermost edge of Zone B).

Vegetation Management is recommended within parks and open space areas in compliance with the guidelines in this FPP.

- Undesirable/target flammable vegetation must be removed per LACoFD plant selection guide, Title 32 Section 304.1.2 and Section 325.2.1., or as determined by LACoFD.
- Grasses must be maintained/mowed to 4 inches.

- Types and spacing of trees, plants and shrubs, must comply with the criteria in this plan.
- Areas shall be maintained free of down and dead vegetation.
- Flammable vegetation and flammable trees shall be removed and shall be prohibited.
- Trees shall be properly limbed and spaced and shall not be of a prohibited type (identified in this plan).
- No species from the County Prohibited Plant List.

Vacant Lots will not be required to implement Vegetation management strategies until construction begins. However, perimeter Vegetation Management Zones must be implemented prior to commencement of construction utilizing combustible materials. Moreover, prior to issuance of a permit for any construction, grading, digging, installation of fences, the outermost 30 feet of the lot is to be maintained as a Vegetation Management Zone. Existing flammable vegetation shall be reduced by 60% on vacant lots upon commencement of construction. Dead fuel, ladder fuel (fuel which can spread fire from ground to trees), and downed fuels shall be removed and trees/shrubs shall be properly limbed, pruned and spaced per this plan. The remainder of the Vegetation Management Zones required for the particular lot shall be installed and maintained prior to combustible materials being brought onto any lot under construction.

As required by the MMRP, the FMP shall ensure relocation of grading boundaries and fuel modification zones to completely avoid disturbance to the site(s) of eligible archaeological resources. If it is determined that the relocation of grading boundaries and fuel modification zones in accordance with this subsection is not feasible, then a qualified archaeologist shall be present in the vicinity of eligible archaeological resources sites during grading and fuel modification brush clearance. (NOTE: confidential archaeological mapping is on file at the Natural History Museum of Los Angeles County and the South Central Coastal Information Center [SCCIC] at California State University, Fullerton. Review of this material is restricted to qualified individuals and project proponents on a need to know basis.) Fencing shall be erected outside the eligible archaeological resources sites to visually depict the areas to be avoided during construction. All eligible archaeological resources sites avoided in accordance with this subsection (a) shall be subject to the preservation requirements of MMRP Mitigation Measure MM 6-4.

As further required by the MMRP, if it is determined that the relocation of grading boundaries and fuel modification zones is not feasible with respect to eligible archaeological resources sites CA-LAN-3201, CA-LAN-3240 and/or CA-LAN-3242, as identified in the EIR, then a qualified Archaeologist and a Native American monitor representing the Tejon Indian Tribe shall be present in the vicinity of any such eligible archaeological resources site during grading and fuel modification brush clearance to monitor all activities and ensure that archaeological resources are not impacted. (NOTE: confidential archaeological mapping is on file at the Natural History Museum of Los Angeles County and the SCCIC. Review of this material is restricted to qualified individuals and project proponents on a need to know

basis.) Temporary construction fencing shall be erected outside any such eligible archaeological resources site to visually depict the areas to be avoided during construction, in accordance with MMRP Mitigation Measure MM 6-2. Any temporary fencing materials (i.e., plastic web, chain link, etc.) placed during construction should not become permanent. Any permanent fencing erected in accordance with MMRP Mitigation Measure MM 6-4 to protect the sites should be visually pleasing and consistent with the overall aesthetic experience of the community of Centennial. All eligible archaeological resources sites avoided in accordance within this subsection (a) shall be subject to the preservation requirements of MMRP Mitigation Measure MM 6-4.

ii. Construct and Equip Fire Stations

As required by the MMRP, for each tentative subdivision map that includes a fire station site (as discussed in Section 3(a)(vii) of this FPP), the applicant must construct, equip, and convey title to such fire station prior to final subdivision map approval. Per the DA, each fire station must be equipped to be compatible with LACoFD's Development Impact Mitigation Agreement standards.

c. Fire Safety Requirements Implemented at the Building Permit or Site Plan Review Stage of Development.

Pursuant to the Specific Plan and MMRP, the following Fire Safety Requirements will be implemented concurrent with the County's review and approval of any Project building permit and, as applicable, site plan:

i. Confirmation of Code Compliance

At the building permit and site plan review stage of Project development, the County will confirm that all building plans comply with all applicable codes. The Project shall comply with applicable portions of the Fire Code. The Project will also comply with Chapter 7A of the 2019 California Building Code (CBC) with July 2021 Supplement; the 2019 California Residential Code (CRC), Section 237; and 2018 Edition of the International Fire Code as adopted by the County. Code compliance shall also be confirmed by County building inspectors prior to issuance of certificates of occupancy.

Chapter 7A of the CBC addresses reducing ember penetration into homes, a leading cause of structure loss from wildfires (California Building Standards Commission 2019). Thus, code compliance is an important component of the requirements of this FPP, given the Project's WUI location and VHFHSZ and HFHSZ designations. The Project would meet applicable code requirements for building in these higher fire hazard areas. These codes have been developed through decades of wildfire structure save and loss evaluations to determine the causes of building losses and saves during wildfires. The resulting fire codes now focus on mitigating former structural vulnerabilities through construction techniques and materials so that the buildings are resistant to ignitions from direct flames, heat, and embers, as indicated in the CBC.

The following provides an overview of ignition resistant construction required under the Fire Code, the CBC, and the CRC:

- *Roofs and roof edges* (CBC 705A/CRC R337.5): Roof coverings shall be Class A fire rated as specified in Section 1505.2. Where the roof profile allows a space between the roof covering and roof decking, the spaces shall be constructed to prevent the intrusion of flames and embers, be firestopped with approved materials or have one layer of minimum 72 pound (32.4 kg) mineral-surfaced non-perforated cap sheet complying with ASTM D3909 installed over the combustible decking. Wood shingles and wood shakes are prohibited in any Fire Hazard Severity Zones regardless of classification (LABC Section 705A.2).

- *Exterior Walls/siding* (CBC 707A.3 /CRC R337.7.3): Noncombustible, listed ignition-resistant materials, heavy timber, 5/8" Type X gypsum sheathing behind exterior covering, exterior portion of 1-hr assembly or log wall construction is allowed. The Office of the State Fire Marshall website (https://osfm.fire.ca.gov/) lists many types of exterior wall coverings that are approved.

- *Eaves and porch ceilings* (CBC 707A.4, A.6 / CRC 337.7.4. R337.7.6): The exposed roof deck under unenclosed eaves and underside of porch ceilings shall be noncombustible, listed ignition resistant materials, or 5/8" Type X gypsum sheathing behind exterior covering. Solid wood rafter tails on the exposed underside of roof eaves having a minimum 2" nominal dimension may be unprotected.

- *Vents* (CBC 706A / CRC R337.6): Attic vents and underfloor vent openings must be Wildland Flame and Ember Resistant approved and listen by the Sate Fire Marshal or listed in ASTM E2886. Vents shall be baffled and may include a minimum of 1/16" and maximum 1/8" corrosion-resistant, noncombustible wire mesh or equivalent. Ventilation openings on the underside of eaves are not permitted, unless a State Fire Marshal (SFM) approved vent is installed, or the attic is fire sprinklered. Vents of 1/16" min. and 1/8" max corrosion-resistant and noncombustible wire mesh or equivalent that are greater than 12 feet from a walking surface or grade below are allowed.

- *Windows and exterior doors* (CBC 708A / CRC R337.8): Windows must be insulated glass with a minimum of 1 tempered pane or 20 min rated or glass block. Exterior doors must be noncombustible or ignition resistant material or 1 3/8" solid core, or have a 20 min fire-resistance rating.

- *Exterior decking and stairs* (CBC 709A / CRC R337.9): Walking surfaces of decks, porches. balconies and stairs within 10 feet of the building must be constructed of noncombustible, fire-retardant treated or heavy-timber construction. Alternate materials can be used if they are ignition-resistant and pass performance requirements specified by the State Fire Marshal.

- *Underfloor and appendages* (CBC 707A.8 / CRC R337.7.8): Exposed under-floor, underside of cantilevered and overhanging decks, balconies and similar appendages shall be non-combustible, ignition resistant, 5/8" Type X gypsum sheathing behind exterior covering, exterior portion of 1-hr assembly, meet performance criteria SFM Standard 12-7A-3 or be enclosed to grade.

ii. Ban on Wood Burning Fireplaces

As required by the MMRP, the Project's plans and specifications shall prohibit wood-burning fireplaces in single-family residences throughout the Project site. This requirement will be enforced at the time of building permit issuance and site plan review. Compliance with this Fire Safety Requirement shall also be confirmed by County building inspectors prior to issuance of certificates of occupancy for each single-family home.

iii. Fire-safe Sign Requirements

As required by the Specific Plan, no sign shall be installed, relocated, or maintained so as to prevent free ingress to or egress from any door, window, or fire escape. In addition, no sign of any kind shall be attached to a standpipe or fire escape, except those signs required by other applicable codes or ordinances. This requirement will be enforced at the time of building permit issuance and site plan review. Compliance with this Fire Safety Requirement shall also be confirmed by County building inspectors prior to issuance of certificates of occupancy for each single-family home. During project operation, this Fire Safety Requirement shall be enforced by the Master HOA.

d. Project Operations - Ongoing Enforcement of Fire Safety Requirements, Fire Safety Education, and FMZ Clearance Inspections.

Several entities will play important roles to ensure the ongoing implementation of the Fire Safety Requirements once the Project becomes operational. The LACoFD will have primary enforcement jurisdiction over the Project with respect to matters of Fire Code compliance, while the County's Department of Regional Planning is responsible for the overall enforcement of the Specific Plan. But the Project's master homeowner's association (Master HOA) and its Fire Protection Education Committee will have key roles in ensuring Project compliance with the Fire Safety Requirements, as will the Community Forester and qualified third-party compliance inspectors funded by the Master HOA. This section describes the various responsibilities of each of these parties with respect to the comprehensive implementation of the Fire Safety Requirements during the life of the Project.

i. Master HOA Formation and CC&R Recordation

Per the Specific Plan, a non-profit Master HOA shall be formed, and the Master HOA's declaration of conditions, covenants, and restrictions (CC&Rs) will be recorded after the recordation of the Project's first final subdivision map consisting of one or more residential lots and prior to the date of the first transfer of any residential lot to a person other than the subdivider. As additional final maps are approved and recorded, the Project area covered by those maps will be annexed by the Master HOA to ensure that control of development and implementation of the CC&Rs can be maintained. Per the Specific Plan and the MMRP, the applicant for a final map shall submit to the Department of Regional Planning the form of CC&Rs so that it may confirm that new homeowners will be informed about their responsibilities under the Fire Safety Requirements. Per Title 32 of the County Code, a copy of the recorded CC&Rs describing the fuel modification requirements must be provided to the LACoFD's Forestry Division.

To the extent permitted by the California Department of Real Estate, the CC&Rs for each final map shall include provisions obligating each homeowner to comply with all of the Fire Safety Requirements applicable to that homeowner's lot and residential unit, including but not limited to all Fire Safety Requirements that (i) mandate the use of fire-safe landscaping techniques, (ii) require the maintenance of fuel modification zones on their property, (iii) prohibit the use of wood fireplaces, (iv) prohibit the installation, relocation, or maintenance of any sign so as to prevent free ingress to or egress from any door, window, or fire scape; (v) mandate the use of code compliant spark arrestors in chimneys of any fireplace, barbeque, or any heating appliance in which solid or liquid fuel is used; (vi) mandate that only Class A fire rated roof coverings be used when maintaining or repairing roof coverings; (vii) mandate that exterior windows, window walls, glazed doors, and glazed openings in exterior doors only be repaired or replaced code compliant materials (e.g., multi-pane glazing units with a minimum of one tempered pane); and (viii) require that access be provided for biannual fuel modification zone inspections.

ii. Master HOA Enforcement of CC&Rs Through Monetary Penalties

To promote enforcement of the CC&Rs, the governing documents of the Master HOA shall vest the governing board of the Master HOA with authority to impose fines on any homeowner who violates any provision of the CC&R related to Fire Safety Requirements, and shall establish a schedule of reasonable monetary penalties to be assessed by the Master HOA against any homeowner that violates any provision of the CC&Rs related to Fire Safety Requirements. The required schedule of monetary penalties shall also be included as part of a general CC&R enforcement policy to be adopted and administered by the governing board of the Master HOA, which policy shall describe in detail the steps to be followed in enforcing the Master HOA governing documents and CC&Rs. As provided in California Civil Code Section 5855, no fine shall be assessed against a homeowner for violating a provision of the CC&Rs related to Fire Safety Requirements unless and until the Master HOA first conducts a hearing on the alleged violation. At least ten days advance notice must be provided to the relevant homeowner of the date and time of the hearing, the general nature of the allegation of rules violation against such homeowner, and informing such homeowner that they have the right to attend such hearing and to address the governing board.

iii. Master HOA Ongoing Maintenance

The governing documents of the Master HOA shall provide that the Master HOA is responsible for the long-term funding and ongoing maintenance of private roads and fire protection systems, including fire sprinklers and private fire hydrants. The Master HOA governing documents shall also provide that the Master HOA is responsible for the long-term funding and implementation of all fuel modification vegetation management in Project common areas, including but not limited to roadsides (including a minimum of 20 feet clearance on each side of roads within the Project development footprint adjacent to open space areas), open space and landscape areas, and fuel modification zones. In addition, the Master HOA shall establish a reverse 9-1-1 system capable of contacting every listed telephone number in the community by computer at a rate of at least 250 calls per minute.

iv. Fire Protection Education Committee

The governing documents of the Master HOA shall establish a Fire Protection Education Committee (FEPC) The purpose of the FEPC shall be to (i) promote education programs and tools that provide information to Project homeowners about the Project's overall Fire Safety Requirements and about each homeowner's individual obligations thereunder; (ii) promote education programs and tools that provide information about wildland fire ecology, management, protection, and prevention; and (iii) coordinate with the LACoFD and other stakeholders to identify opportunities for improvement in all areas of wildland fire communication, education, protection, and prevention.

The governing documents of the Master HOA shall require the FEPC to prepare and implement of a community-wide fire education program based on the Firewise Communities structure and designed to establish the community as a Firewise USA site and to fully educate Project homeowners of their various responsibilities under the Fire Safety Requirements, including but not limited to maintaining fuel management zones areas on their respective properties. The Project master developer shall ensure that development and ongoing implementation such fire education program is funded by assessment district or by permanent and irrevocable property owner fees.

The FEPC shall annually conduct on-site community fire safety education and training programs, which programs shall be undertaken in coordination with the LACoFD's Community Risk Reduction Unit to the extent feasible or other qualified subject-matter experts, and which shall include community education regarding implementation of the Project's required FMP and ERP, and shall ensure that copies of such plans are provided to all Project homebuyers at the initial point of sale.

The FEPC shall also post on the community intranet information regarding the importance of maintaining fuel management areas in accordance with the FMP, complying with the Project's fire-resistant landscape plan, implementing all applicable Fire Safety Requirements, and regularly reviewing and becoming familiar with the Project's ERP. Complete copies of the FMP and ERP shall also be made accessible for download from the community intranet. LACoFD shall review and approve all wildfire educational material/programs before printing and distribution by the FEPC. In addition, the FEPC shall ensure that annual reminder notices are provided to each homeowner reminding them review the ERP and stay familiar with community evacuation protocols.

The FEPC shall also provide Project homebuyers, at the initial point of sale, educational materials about the health and safety benefits of emergency preparation and the need to maintain adequate emergency response supplies, such as a seven-day supply of potable water and food and solar-powered batteries for communication and refrigeration, to respond to earthquakes and other potential disasters, at the initial point of property sale, and annually thereafter in Property Owner Association Website Notices.

The FEPC shall coordinate with commercial vendors of emergency response supplies and solar batteries in order to secure discounts or other preferential terms to Project site occupants, and shall include a list of such vendors on the community intranet and in educational materials published by the FEPC.

v. Community Forester

In accordance with the Specific Plan, the Master HOA shall hire a Community Forester who is trained in urban forestry, arboriculture, horticulture, or landscape architecture to undertake tree management responsibilities. The Community Forester will also coordinate FMZs 3rd party inspections on the Project site The Community Forester is required to developing a policy for managing public trees on the Project site and educating Project residents about the importance of trees in the community, and is responsible for implementing the Project's fire-resistant landscape plan. The Specific Plan further requires the Community Forester to develop programs that involve community organizations and residents in tree preservation, planting and tree care so as to ensure that community trees are, among other things, maintained in accordance with all Fire Code access requirements. Per the Specific Plan, the Community Forester must also prepare an annual tree management plan and implement programs to improve the communities tree canopy in a manner that complies with all Fire Code and LAFCD requirements. In addition, the Specific Plan requires the Community Forester to maintain the Project's fire-resistant plant palette and to consult with the County's staff biologist regarding proposed revisions to the community plant palette described in the Specific Plan. However, the LAFCD shall have final approval over the final plant palette for fuel modification zones and modifications thereto.

vi. Third-Party Compliance Inspectors

To confirm that the Project's fuel management zones and landscape areas are being maintained according to the Fire Safety Requirements and the LACoFD's fuel modification guidelines, the Master HOA shall obtain a fuel management zone inspection and report from a qualified LACoFD-approved third-party inspector in May/June of each year certifying that vegetation management activities throughout the Project site have been timely and properly performed. If the third-party inspector determines that a fuel management zone or landscape area is not compliant with all applicable fire-safety standards, the Master HOA shall have a specified period, not to exceed sixty days, to correct any noted issues so that a re-inspection can occur and certification can be achieved. Annual inspection fees may be subject to the current Fire Department Fee Schedule.

Exhibit A

Centennial Specific Plan Fire Safety Requirements:

1. Fuel Modification Plan (FMP)

- Required by Mitigation Measure MM 3-9, which provides:

  The Project Applicant/Developer shall prepare a Fuel Modification Plan demonstrating compliance with the County Fire Code Title 32 and shall provide all new residents and business owners with recorded Covenants, Conditions, and Restrictions (CC&Rs) or disclosure statements that identify the responsibilities for maintaining the fuel modification zone(s) on their property, as defined in the approved Fuel Modification Plan. The CC&Rs or disclosure statements prepared by the Project Applicant/Developer shall be submitted to the County to confirm that new property owners will be informed of their responsibilities for maintaining the fuel modification zone(s) on their property.

- Review and approval:
  - Per MMRP, the FMP must be provided to the California Department of Forestry and Fire Protection for peer review and to the LACoFD for review and approval.
- Timing:
  - Per MMRP, the FMP must be approved prior to the recordation of final maps.
- Other Requirements:
  - The Specific Plan, pages 3-99 through 3-100, provides significant detail on the required content and implementation of the FMPs, all of which should be reflected in the Fire Protection Plan.
  - Per the MMRP, a copy of the relevant FMP must be provided to all new residents and businesses with CC&Rs or disclosure statements prior to the sale of any-on-site properties.
  - See also Mitigation Measures MM 6-1, 6-3, MM 7-1, 7-16, and 7-21, which include additional requirements and restrictions regarding fuel modification in order to limit impacts to cultural and biological resources, all of which should be reflected in the Fire Protection Plan.

2. Vegetation Management Fire Abatement Implementation Plan

- Required by Mitigation Measure MM 7-21, which provides:

  In order to ensure that no direct impacts to Significant Ecological Area (SEA) 17 occur,

brush clearance zones shall be contained within the current Project impact boundary and no overlap with the adjacent SEA 17 shall occur. Vegetation management for fire abatement purposes is not authorized in SEA areas. An Implementation Plan, including fire risk abatement measures (including but not limited to vegetation management) required to comply with State and County fire prevention and response legal requirements, shall be submitted as part of the tentative tract map for portions of the Project site that border an SEA or mitigation preserve area. The Plan shall include: (a) a summary of applicable State and County fire risk abatement requirements; (b) a prohibition on the use of vegetation clearance within SEA 17 or mitigation preserve areas. The Plan shall be submitted to the County for approval with the first tentative map, and shall be updated to include new or modified State or County fire risk abatement requirements as part of each subsequent tentative tract map submittal.

- Review and approval:
    - Per the MMRP, the Implementation Plan must be submitted to the California Department of Forestry and Fire Protection for peer review and to the County Department of Regional Planning for review and approval.
- Timing:
    - Per the MMRP, the Implementation Plan must be approved prior to approval of tentative maps for portions of the Project that border a SEA or mitigation preserve area.

3. Fire Stations

- Required by Mitigation Measure 16-1, which provides:

  At buildout, the Los Angeles County Fire Department (LACoFD) fire stations shall be located such that response times to the Project site shall be 5 minutes or less for fire service responses and 8 minutes or less for the advanced life support (paramedic) unit responses within the Project site.

- Required by Mitigation Measure 16-3, which provides:

  The Project Applicant/Developer shall provide land, convey title, and shall construct and equip, to the specifications and requirements of the LACoFD, for up to four new Fire Stations to the LACoFD. The approved final plans and specifications for the Project shall identify locations of the fire stations. The LACoFD shall have final approval over the fire station site locations. The timing for the construction of the on-site fire stations shall be established by the LACoFD dependent upon the phasing of development, with the first on-site fire station operational no later than the time the 1,000th dwelling unit is built on site.

- Review and approval:
    - Per MM 16-3, the LACoFD shall have final approval over the fire station site locations.
- Timing:
    - Per the MMRP, MM 16-1 must be satisfied prior to approval of tentative maps.
    - Per the MMRP, MM 16-3 must be satisfied prior to approval of plans and specifications for final maps.
    - Per the Development Agreement, all fire stations must be equipped to be compatible with the LACoFD's Development Impact Mitigation Agreement standards. See Dev. Agmt., Exhibit G, Section 3.2.
    - Per the Development Agreement, Fire Station # 1 must be a station of 10,000 square feet, Fire Station # 2 must be a station of 13,000 square feet, and Fire Station #3 must be a station of 10,000 square feet and equipped as provided in the Development Agreement, and it must be completed prior to the issuance of a certificate of occupancy. See Dev. Agmt., Exhibit G, Section 3.2.
    - Per the Development Agreement, and per MM 16-3, it remains to be determined whether the Project will be required to construct a fourth fire station, but such determination shall be based on need established pursuant to MM 16-1. See Dev. Agmt., Exhibit G, Section 3.2.
    - Per the Development Agreement, the general locations of the three required fire stations will be situated as identified on Exhibit 4-1 of the FEIR, subject to relocation based on mutual agreement of the Developer and the County. If it is determined that fourth station is required, it will be located based on mutual agreement of the Developer and County. Nevertheless, LACoFD will have final approval of any fire station location. See Dev. Agmt., Exhibit G, Section 3.1.
    - Per the Development Agreement, Fire Station #1 must be completed prior to the issuance of a certificate of occupancy for the Project's 1,000th residential unit, and Fire Stations #2 and #3 must be completed prior to the issuance of a certificate of occupancy for any residential unit located outside of a station's five-minute response time. See Dev. Agmt., Exhibit E-1.
    - Per the Development Agreement, existing Fire Station #77 will serve the first 1,000 Project dwelling units (before Fire Station #1 is operational).
    - Per the Specific Plan, at page 3-37, two fire station sites shall have a building pad consisting of a net buildable area of 1.25 acres. The third site shall have a net buildable area of 4 acres. All sites will be rectangular in shape, with utilities stubbed to the property.

- Other Requirements:
    - Per Mitigation Measure MM 16-2, the Developer must pay developer fees in accordance with the LACoFD Developer Fee Program until such time as the Developer has conveyed an approved, operational fire station to LACoFD, unless otherwise agreed to by the Developer and LACoFD in accordance with the LACoFD Developer Fee Program's land-in-lieu of fees provisions.

4. Emergency Response Plan

- Required by Mitigation Measure MM 3-7, which provides:

  The Project Applicant/Developer shall prepare an Emergency Response Plan for the Project, which shall be updated as needed for each Tentative Map, and shall be submitted to the County (California Department of Forestry and Fire; and County Fire Department and/or County Sheriff's Department) for review and approval. The Project Applicant/Developer shall be responsible for distributing the current Emergency Response Plan to each purchaser or tenant of each property within Centennial, and shall distribute the Plan to all landowners through the Transportation Management Agency (TMA).

- Required by Development Agreement, Exhibit G, Section 12.3, which provides:

  The Property Owners shall require future residential and commercial property owners associations to develop and implement an emergency preparation and response plan, including shelter-in-place and evacuation plans as well as first aid and emergency electric power supplies. The Property Owners shall provide educational information about the health and safety benefits of emergency preparation and response supplies such as a seven-day supply of potable water and food, and solar-powered batters for communication and refrigeration, to respond to earthquakes and other potential disasters, at the initial point of property sale, and annually thereafter in Property Owner Association Website Notices. The Property Owners and Property Owner Association Website Notices may also identify emergency response supply and battery vendors providing discounts or other preferential terms to Project site occupants.

- Review and approval:
    - Per the MMRP, the Emergency Response Plan must be submitted to the California Department of Forestry and Fire Prevention for peer review and to the LACoFD and/or Sheriff's Department for review and approval.

- Timing:
    - Per the MMRP, MM 3-7 must be satisfied prior to approval of tentative maps.

5. Landscape Plan

- Required by Mitigation Measure 7-13, which provides in relevant part:

  The Project Applicant/Developer shall develop a Landscaping Plan for review and approval by the County Biologist. The Landscaping Plan shall be (1) prepared by a qualified biologist, (2) submitted to the County for approval with each tentative map, (3) provided to builders, (4) provided to future project occupants as described in the Specific Plan, and (5) include a plant palette composed of non-invasive species that are adapted to the conditions found on the Project site and do not require high irrigation rates. The Landscaping Plan shall also include a list of invasive plant species prohibited from being planted on the Project site. In addition, retail sales of these invasive plan species will be prohibited at any businesses (nurseries) located within the Project site. Landscape plans shall encourage planting of local natives typical of native vegetation within ten miles of the Project site.

- Review and approval:

  - Per the MMRP, the Landscape Plan must be reviewed and approved by the County Department of Regional Planning.

- Timing:

  - Per Mitigation Measure 7-13, a Landscape Plan must be submitted for approval with each tentative map application.

- Other requirements:

  - The Specific Plan, at page 2-78, provides that "a Community Forester (licensed arborist or licensed with the Department of Forestry and/or fire warden) shall oversee … implementation of the long-term landscape plan within developed areas."

  - The Specific Plan, at page 3-42, explains that the Specific Plan plant pallet was prepared in accordance with the LACoFD's Fuel Modification Plan Guidelines, and, at page 3-99, requires the use of fire-retardant plants in fuel modification zones.

  - The Specific Plan, at page 3-29, requires landscaping in the plan's Open Space Zone to be dominated by native and/or drought tolerant trees, shrubs and ground cover, taking into consideration fuel modification requirements, such as using plants that are fire resistant.

  - The Centennial Green Development Program set forth in Specific Plan Appendix A-1 requires the project to implement fire-safe landscaping techniques to reduce fire risks to biological resources and human safety in the fuel modification zones.

- The Hillside Design Guidelines set forth in Specific Plan Appendix 1-B requires landscaping in a manner that, among other things, increases fire protection.

6. Ban on Wood-Burning Fireplaces

- Required by Mitigation Measure MM 11-3, which provides:

  The Project's plans and specifications shall prohibit wood-burning fireplaces as required by SCAQMD Rule 445 in single-family residences throughout the entire Project site, including at residences that are 3,000 or more feet above mean sea level at which the SCAQMD prohibition would otherwise not apply. Natural gas fireplaces shall be limited to a total of 13,954. These requirements shall be posted on the community intranet and shall be clearly described and distributed to home buyers through their home purchase contracts and CC&Rs.

- Also required by the Specific Plan's General Development Standards. See Specific Plan page 2-78.

- Review and approval:

  - Per the MMRP, compliance with this requirement will be monitored by County Regional Planning and/or the Department of Public Building and Safety.

- Timing:

  - Compliance will be monitored at the building permit stage.

6. Miscellaneous Requirements

- Planned utility undergrounding and Project improvements to Highway 138 will help further reduce fire risk and provide better emergency egress, as discussed on Specific Plan page M-11.

- As discussed on Specific Plan page 3-9, classifications and street cross-sections were developed in partnership with the Department of Regional Planning, as well the County of LA's Public Works and Fire Departments: modifications to theses cross-sections require approval from Public Works and LACoFD.

- As discussed on Specific Plan page 2-83, no sign shall be installed, relocated, or maintained so as to prevent free ingress to or egress from any door, window, or fire escape. No sign of any kind shall be attached to a standpipe or fire escape, except those signs as required by other codes or ordinances.

- As discussed in footnote 21 of the Specific Plan's Appendix 2-C, the curb-to-curb width of each private driveway and fire lane will be approved by the Los Angeles County Fire Department and Department of Public Works

- The Project will be required to comply with all then-current fire code and building safety requirements, which should be detailed in the Fire Protection Plan.

- To ensure safe ingress and egress to, from and within the project site during construction, Mitigation Measure MM 3-8 provides as follows:

  The Project Applicant/Developer shall prepare a Traffic Control Plan in accordance with the California Manual on Uniform Traffic Control Devices (MUTCD). The Traffic Control Plan shall be reviewed and approved by the California Department of Transportation (Caltrans), and all construction activities in the public right-of-way shall comply with the approved Traffic Control Plan to the satisfaction of Caltrans. Documentation of Caltrans approval shall be provided to the County for any Tentative Map involving construction within State Route 138 right-of-way.

Exhibit 2 - Tejon Ranch Boundaries

Tejon Ranch Boundary

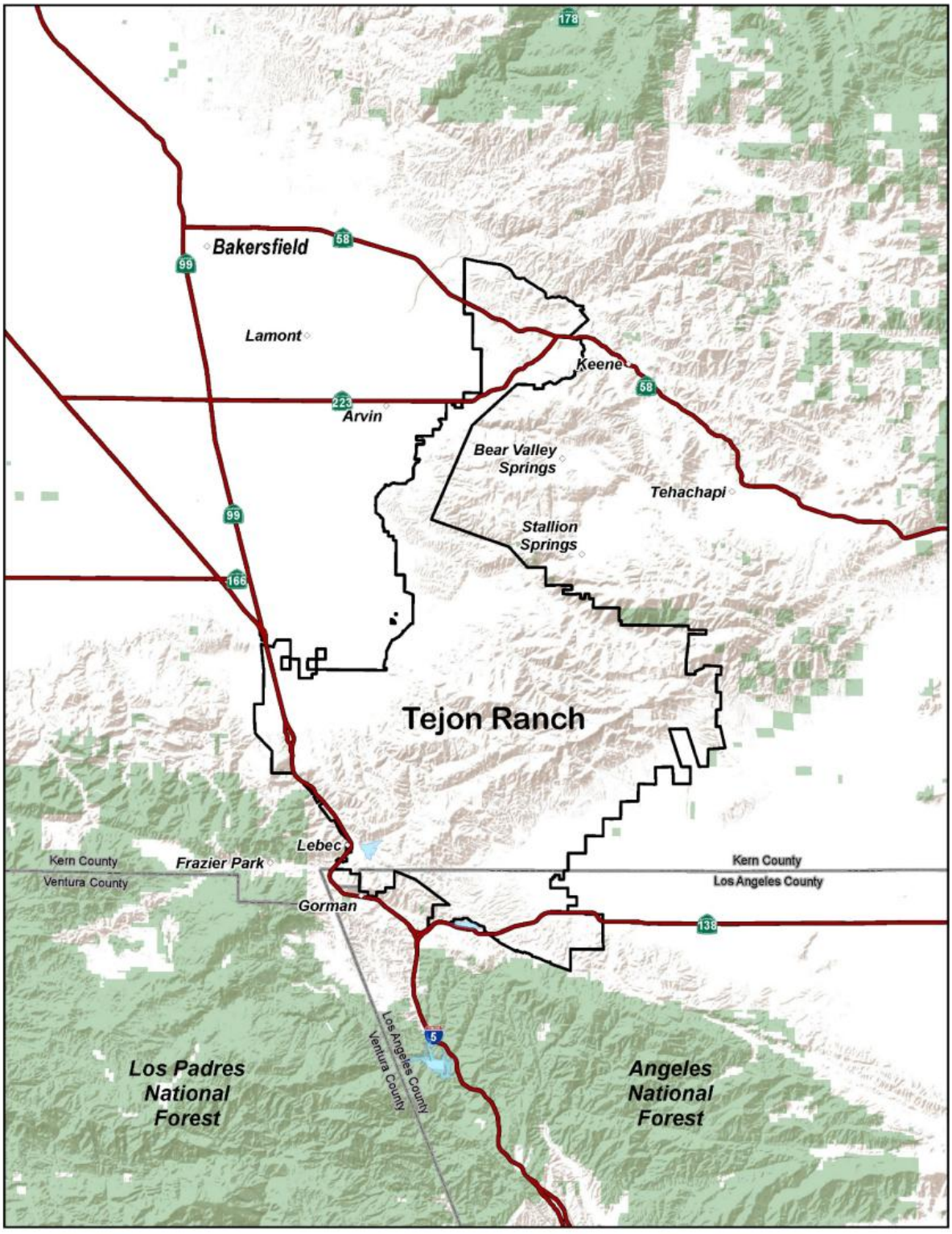

Exhibit 3 - Greenhouse Gas Calculations and Net Zero GHG Project Tracking Tool

The following greenhouse gas calculation have been agreed upon by the Parties for the Project to be a Net Zero GHG Project, and to serve as a tracking tool for Centennial to report on its compliance with the GHG Mitigation Plan, Annual Report, and certificate of occupancy GHG compliance requirements included in the Agreement. All capitalized terms used in this Exhibit have the same meaning as the capitalized terms in the Agreement.

Part 1: GHG Calculations

GHG BAU Emissions/Year (30 Year Basis): 500,000 MT/Year

Reduced by Itemized GHG Mitigation Measures: 185,000 MT/year or 37% of 500,000 MT/Yr

Reduced by Centennial energy requirements: 64,000 MT/Year or 12.8% of 500,000 MT/Yr

Reduced by Grapevine residential gas restriction: 17,313.46 MT/Year or 3.46% of 500,000 MT/Yr

Reduced by class 1-7 truck incentives: 1,549.50 MT/year or .31% of 500,000 MT/Yr (Tejon Ranch reduction)

Total Tejon Ranch reductions: 267,862.96 MT/Year or 53.57% of 500,000 MT/Yr

Total remaining GHG reductions required from Non-Itemized GHG Mitigation Measures: 232,137.04 MT/Year or 46.43%.

GHG applied in ratios to residential/commercial buildings to 232,137.04 MT/Year as follows:

53% of GHG from Residential (Per DU): 190.92 MT/DU

47% of GHG from Commercial (Per 1,000 SF): 324.13 MT/KSF)

Part 2: Net Zero Project GHG Agreement Compliance Tracking Tool:

Part A Reporting: GHG Mitigation Plan for Vesting Tentative Tract Map

1. Onsite Residential: ___ Dwelling Units Included in VTTM Application

Itemized GHG Mitigation Measure Compliance

- One Level 2 or Higher EVSE for single family DUs

Agreement § 1.a.1.b

- One Level 2 or Higher EVSE such that one electrical charger is provided each non-single family DU

Agreement § 1.a.1.c

- ____ $5,000 EV incentives available (of 9,667 incentive DUs)

Agreement § 1.a.1.a

- No natural gas service or fossil fuel fireplaces

Agreement § 1.a.5.a

- Backup Batteries: Included if Code req'd; Option if not required

Agreement § 1.a.5.b

- CCA Renewable Power Compliance

Agreement § 1.a.5.c

Cumulative DU Total in All Approved/Submitted VTTMs: ____ of 19,333 DUs

2. Onsite Non-Residential: ___ square feet (SF) in VTTM Application

Itemized GHG Mitigation Measures

- One Level 2 or Higher EVSE per 3,500 of SF

3,500 EVSE Total per *Agreement § 1.a.2.a*

- Natural gas restricted to essential uses only

Agreement § 1.a.5.a

- Backup Batteries: Included if Code req'd; Option if not required

Agreement § 1.a.5.b

- CCA Renewable Power Compliance

Agreement § 1.a.5.c

3. Other Itemized GHG Mitigation Measures

- One Level 2 or Higher EVSE charger in SCAQMD DACs per 4 DUs

Agreement §§ 1.a.4 (___ cumulative of 5,000 chargers total)

- $____ of $5,000 grants for EV service fleet vehicles per 48 DUs

Agreement §§ 1.a.3.a, 1.a.3. b (___ of 400 $5,000 grants totaling $2 million)

- ____ of $20,000 grants for EV transit/school bus/vans per 48 DUs
Agreement §§ 1.a.3.d (___ of $8M total)
- ___ Medium/Heavy Duty Truck EVSEs at TRCC per 100,972 SF
Agreement § 1.a.2.b (___ of 100 total TRCC Truck EVSEs)
- ____ of $7,500 grants for EVSE Class 1-7 trucks/vans per 38 DUs (__ of $3,750,000 total)
Agreement §§ 1.a.2.d (____ of 500 vehicles total)

EXHIBIT 4 – PUBLIC STATEMENT

Date: December 01, 2021

CENTENNIAL AT TEJON RANCH IS SETTING NEW STANDARDS FOR FIRE SAFE, SUSTAINABLE, AFFORDABLE MASTER PLANNED COMMUNITIES IN CALIFORNIA

In a major new agreement, the master planned community of Centennial, which has already committed to include 18% affordable housing units, will now achieve a net zero carbon project status that exceeds California's climate goals; and include new wildfire resilience measures to significantly enhance safety both in and outside the community.

(Tejon Ranch, CA) Tejon Ranch Co. (NYSE: TRC) and Climate Resolve, a Los Angeles-based nonprofit organization, today announced an unprecedented agreement regarding the Centennial at Tejon Ranch master planned community. The planned development of more than 19,300 homes and 10.1 million square feet of commercial and industrial space, which has received approvals from Los Angeles County, may now proceed to the next steps in the California development process.

Centennial, which has committed to include 3,480 affordable housing units as a part of its Los Angeles County approvals, will now also become a greater net zero project, meeting and exceeding all the state's goals and requirements to combat climate change.

The enhanced climate and wildfire resilience measures contained in the agreement set a new standard for development in California and represent the largest climate investment by a housing development in the state, a milestone achieved through the cooperation of both Tejon Ranch and Climate Resolve.

As part of the agreement, Climate Resolve has agreed to dismiss with prejudice its claim that the County of Los Angeles violated the California Environmental Quality Act (CEQA) when it approved Centennial in May of 2019.

With the dismissal of the lawsuit, Tejon Ranch Co. retains the legislative approval needed to continue the process that will lead *to* the development of a well-planned and critically needed community that will bring thousands of homes and jobs to Los Angeles County.

The agreement includes the following measures and features.

- Net Zero GHG Emissions: The community commits to net zero GHG emissions by reducing to zero all emissions through significant on-site and off-site commitments. A large component prioritizes disadvantaged communities, followed by other projects within Los Angeles County, and other parts of southern and central California.
- Electric Vehicle Advancement: Advance the EV future through commitments to install almost 30,000 chargers within and outside the community. Provide incentives to support the purchase of 10,500 electric vehicles.
- Wildfire Prevention: Funding for on-site and off-site fire protection and prevention measures, including fire-resilient design, planning, and vegetation management with benefits to neighboring communities.

- Unrivaled Transparency: Provide annual public reports and create an organization empowered to monitor progress to ensure the agreement results in the benefits identified.

"We are pleased to reach this agreement with Climate Resolve that will enable us to address California's housing crisis in the most sustainable manner possible," said Gregory S. Bielli, President and CEO of Tejon Ranch Company. "Tejon Ranch has a legacy of environmental stewardship, as well as using its land to meet major needs in California. More than ever, the state desperately needs the 19,333 housing units Centennial will provide, including the nearly 3,500 affordable units. At the same time, California needs to achieve its climate goals. This agreement outlines a way to create this unique climate-friendly, fire-safe, affordable mixed use master planned community that helps California address its housing needs consistent with the state's policy goals."

"Working with Tejon Ranch, we've been able to secure the largest climate commitment by a housing development in the state's history," said Jonathan Parfrey, Executive Director of Climate Resolve. "We're setting a new climate standard that surpasses anything previously done in the state. Our agreement builds upon the 2008 Tejon Ranch Conservation and Land Use Agreement and takes the added steps of further protecting the land from the threat of wildfire and zeroing-out greenhouse gas emissions at the Centennial project."

Both Tejon Ranch Company and Climate Resolve look forward to working together to implement an agreement that sets a new precedent for the development of fire safe, sustainable communities that will meet the needs of California today, and in the future.

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Forward-Looking Statements

This press release contains forward-looking statements, including without limitation statements regarding our commitments under the Settlement Agreement and certain aspects of our real estate operations. In some cases, these statements are identifiable through use of words such as "commit" and "will." 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 to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, the impacts of COVID-19 and the actions taken by governments, businesses, and individuals in response to it, success in obtaining various governmental approvals and entitlements for land development activities, and the risks described in the section entitled "Risk Factors" in our annual and quarterly reports filed with the SEC.

LIMITED LIABILITY COMPANY AGREEMENT
OF
TRC-MRC MULTI I, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT OF TRC-MRC MULTI I, LLC is entered into effective as of February __, 2022 (the "**Effective Date**"), by and between TEJON INDUSTRIAL CORP., a California corporation ("**Tejon**"), and MAJESTIC TEJON MULTI I, LLC, a Delaware limited liability company ("**Majestic**"). The capitalized terms used herein shall have the respective meanings assigned to such terms in Article XIV.

ARTICLE I
FORMATION

1.01 Formation

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

1.02 Names and Addresses

The name of the Company is "TRC-MRC MULTI I, LLC." The registered office of the Company in the State of Delaware shall be at 850 New Burton Road, Suite 201, Dover, Delaware 19904. The name and address of the registered agent for the Company in the State of Delaware shall be National Corporate Research, Ltd., 850 New Burton Road, Suite 201, Dover, Delaware 19904. The name and address of the registered agent for the Company in the State of California shall be Michael Durham, c/o Majestic Realty Co., 13191 Crossroads Parkway North, 6th Floor, City of Industry, California 91746-3497. The principal office of the Company shall be at 13191 Crossroads Parkway North, 6th Floor, City of Industry, California 91746-3497. The names and addresses of the Members are set forth on Exhibit "A" attached hereto.

1.03 Nature of Business

Subject to the following sentence, the express, limited and only purposes for which the Company is to exist are (i) to acquire from Tejon that certain real property consisting of approximately twenty-one and 92/100ths (21.92) net usable acres of land located within the Tejon Ranch Commerce Center in the County of Kern, State of California, and described more particularly on Exhibit "B" attached hereto (the "**Property**"), (ii) to develop and construct upon the Property in multiple phases (individually, a "**Phase**" and collectively, the "**Phases**") a multi-

family project containing up to four hundred ninety-five (495) apartment units, six thousand five hundred (6,500) square feet of private amenity improvements, a public open space feature located directly across from the Outlet Food Court, walkable pathways providing a connectivity between the apartment units, the private amenity improvements, the Outlet Food Court and a pedestrian bridge to be built in the future by Tejon (in its capacity as the master developer of the Tejon Ranch Commerce Center) connecting to future development on the east side of Laval Road, together with off-site parking, the Company's share of street improvements located between the Project and the Outlet Center and any and all related on-site and off-site improvements appurtenant thereto (collectively, the "**Improvements**"), (iii) to own, lease, maintain, manage, finance, refinance, hold for long-term investment, market, sell, exchange, transfer and otherwise realize the economic benefit from the Property and the Improvements (collectively, the "**Project**"), and (iv) to conduct such other activities with respect to the Project as are necessary and/or appropriate to carrying out the foregoing purposes and to do all things incidental to or in furtherance of the above enumerated purposes. The purpose of the Company shall also include replacing three hundred sixty-five (365) parking spaces that Tejon acquired from TRCC/Rock Outlet Center, LLC in a land swap (which land is included in the 21.92 acres of land to be contributed by Tejon to the Company). The Members acknowledge that the current entitlements and approvals from Kern County include up to eight thousand (8,000) square feet of commercial improvements, which may be repurposed by the Company to private amenity improvements.

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

1.04 Term of Company

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

ARTICLE II
MANAGEMENT OF THE COMPANY

2.01 Formation of Executive Committee

(a) Executive Committee Matters. Any matter requiring the consent or approval of the Members under this Agreement shall be made by the Members acting

through an executive committee (the "**Executive Committee**") in accordance with the provisions of this Section 2.01 and Section 2.02. The Executive Committee shall be responsible for determining the general strategic direction of the Company and for establishing the policies and procedures to be followed by the Administrative Member.

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

2.02 Committee Procedures

(a) Quorum. A "**Quorum**" for the Executive Committee shall be the presence of at least one (1) Representative of each Member. In the absence of a Quorum, the Representative(s) of the Executive Committee so present may adjourn the meeting until a Quorum is present. The Executive Committee shall meet at least quarterly on a day designated by the Administrative Member. The Executive Committee shall hold such other regularly scheduled meetings as are determined by the Administrative Member. Meetings shall be held on a Business Day at the principal office of the Company during normal business hours, unless otherwise agreed to by the Executive Committee. Notice of any regularly scheduled meeting of the Executive Committee shall be given by the Administrative Member to all of the Representatives no fewer than ten (10) days and no more than thirty (30) days prior to the date of any such meeting. Any Representative may participate telephonically in any regular meeting of the Executive Committee. The attendance of a Representative of the Executive Committee at a regularly scheduled meeting of the Executive Committee (either in person or telephonically) shall constitute a waiver of notice of such meeting, except where a Representative of the Executive Committee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not properly called or convened. Minutes of the Executive Committee shall not be required to be prepared or maintained. Resolutions of the Executive Committee, when signed by a Quorum present at the applicable meeting, shall be binding and conclusive evidence of the decisions reflected therein and any authorization granted thereby.

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

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

(d) Telephonic Participation. Representatives of the Executive Committee may participate in any meetings of the Executive Committee telephonically or through other similar communications equipment provided that all of the Representatives participating in such meeting can hear each another. Participation in a meeting pursuant to the preceding sentence shall constitute presence in person at such meeting for all purposes of this Agreement.

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

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

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

(h) Limitations on Authority. None of the Members, Representatives or Officers, without the prior written consent of the Executive Committee, may take any action on behalf of or in the name of the Company, or enter into any commitment or

obligation binding upon the Company, except for (i) actions expressly authorized by this Agreement, and (ii) actions by any Member, Representative or Officer within the scope of such Person's authority granted under this Agreement.

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

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

(k) Resolving Deadlocks. If the Executive Committee is deadlocked on any Major Decision (as defined in Section 2.04), then the Representatives shall consult with one another in a good faith attempt to resolve such deadlock for a period of thirty (30) days (or such longer period as is unanimously agreed to by the Representatives). The failure of the Representatives to resolve any such impasse for any reason prior to the expiration of such thirty (30)-day period shall constitute an "**Impasse Event**" under this Agreement (so long as the deadlock that resulted in such impasse remains unresolved). Prior to the expiration of such thirty (30)-day period (or such longer period as is unanimously agreed to by the Representatives), neither Member may elect to commence the buy/sell procedure set forth in Article VIII as result of any Impasse Event.

2.03 Administrative Member

The Members hereby initially designate Majestic as the "**Administrative Member**" of the Company. The Administrative Member shall serve as the Administrative Member, unless and until it resigns as provided in Section 2.17(b), is removed pursuant to Section 2.17(c) or ceases to be a member of the Company. The Administrative Member hereby agrees to use its commercially reasonable efforts to carry out the business and affairs of the Company and to devote such time to the Company as is necessary, in the reasonable discretion of the Administrative Member, for the efficient operation of the business and affairs of the Company. Subject to the terms of this Agreement (including Sections 2.04, 2.11, 2.12 and 2.14, which assign certain obligations or decision-making authority to Tejon or the Executive Committee), the Administrative Member shall be responsible for (i) preparing and implementing each Approved Business Plan (including, without limitation, each Development Plan, Development Budget, Operating Budget and Marketing Plan contained therein), (ii) implementing the decisions of the Executive Committee, (iii) reporting to the Executive Committee as to the status of the business and affairs of the Company, (iv) managing, supervising, and conducting the day-to-day business and affairs of the Company, (v) managing the accounting and the contract and lease administration for the Project to the extent such services are not delegated to the Property Manager including, without limitation, enforcing the Company's rights and benefits, and causing the Company to perform its duties and obligations, under each lease for each apartment unit and any other space in the Project, and (vi) performing such other services delegated to the Administrative Member under this Agreement including, without limitation, (A) the development and construction management services delegated to the Administrative Member under Section 2.11, (B) the marketing management

services delegated to the Administrative Member under Section 2.13, (C) the property management services delegated to the Administrative Member under Section 2.14, (D) the financing services delegated to the Administrative Member under Section 3.04, and (E) the reporting and accounting functions delegated to the Administrative Member under Article XI. The Administrative Member may not assign or delegate its duties or obligations under this Agreement without the prior written consent of the Executive Committee.

2.04 Approval of Major Decisions

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

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

(b) Construction of Improvements. The development and/or construction of any improvements including, without limitation, each Phase of the Project (which shall include any offsite parking required to be constructed as part of any such Phase) and any other vertical, horizontal, tenant or other improvements;

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

(d) Lease of the Project. The form of any lease for all or any portion of the Project including any applicable tenant improvements and the form of any amendment, modification, extension or termination of any lease for all or any portion of the Project including any applicable tenant improvements;

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

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

(g) Selection, Retention and Termination of Architect and Engineer. The selection, retention and/or termination by the Company of any architect or engineer (structural, civil, mechanical, electrical, plumbing, etc.) in connection with the construction of any tenant improvements or the Improvements and the terms of any contract entered

into by and between the Company and any such architect or engineer (and any amendment, modification or termination of any contract entered into by the Company with any architect or engineer);

(h) Construction Contract. Except for Commerce Construction Co., L.P., a California limited partnership ("**Commerce**"), the selection and/or retention by the Company of any general contractor and the execution or delivery by the Company of any construction contract including any construction contract executed with Commerce and any amendment, modification or termination of any such construction contract, but excluding any amendment or modification to the Construction Contract (as defined in Section 2.10) resulting from any change order previously approved under Section 2.04(i) below;

(i) Change Orders. The approval by the Company of any change order relating to the construction of any tenant improvements or the Improvements if (i) such change order would cause a material change in the quality of the Improvements, (ii) the cost of any such change order exceeds Twenty-Five Thousand Dollars ($25,000), or (iii) the aggregate cost of the change order under consideration, together with all prior change orders, exceeds One Hundred Thousand Dollars ($100,000);

(j) Selection, Retention and Termination of Property Manager. The selection, retention and/or termination by the Company of any property manager for the Project and the execution or delivery by the Company of any property management agreement with any such property manager and any amendment, modification, extension or termination of any such property management agreement entered into with any property manager;

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

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

(m) Contracts with Affiliates. Except as provided in Sections 2.10, 2.11, 2.12, 2.13, 2.14, 2.15 and 2.16, the entry into by the Company of any contract with or otherwise making any payment to any Member or any Affiliate of any Member and with respect to any such contract, the making of any material amendment, modification, extension and/or rescission thereof; the declaration of a default thereunder; the institution, settlement and/or compromise of a claim with respect thereto; the waiver of any rights of the Company against the other party(ies) thereto; or the consent to the assignment of any rights and/or the delegation of any duties by the other party(ies) thereto;

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

without limitation, any agreement providing for the payment of any commission, fee or other compensation payable in connection with the sale of all or any portion of the Project;

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

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

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

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

(s) Confess Judgments. The confession of a judgment against the Company for an amount that exceeds Fifty Thousand Dollars ($50,000); the payment, compromise, settlement or other adjustment of any claims against the Company for an amount that exceeds Fifty Thousand Dollars ($50,000); or the commencement or settlement of any legal actions or proceedings brought by or against the Company if the amount in dispute with respect to such action or proceeding exceeds Fifty Thousand Dollars ($50,000);

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

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

(v) Bankruptcy. Any of the following: (i) the filing of any voluntary petition in bankruptcy on behalf of the Company; (ii) the consenting to the filing of any involuntary petition in bankruptcy against the Company; (iii) the filing by the Company of any petition seeking, or consenting to, the reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency; (iv) the consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of the Company's property; (v) the making of any assignment by the Company for the benefit of creditors; (vi) the admission in writing of the Company's inability to pay its debts generally as they become due; or (vii) the taking of any action by the Company in furtherance of any such action;

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

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

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

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

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

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

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

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

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

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

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

2.05 Consents and Approvals

Either Member may seek the approval of the Executive Committee with respect to any proposed matter set forth in Section 2.04 by delivering written notice to the Representatives describing such proposed action in sufficient detail so as to enable the Representatives to exercise an informed judgment with respect thereto. Such notice shall constitute a call for a special meeting of the Executive Committee as provided in Section 2.02(c) and shall specify a time for

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

2.06 Pre-Development Budget

The Members have approved a pre-development budget for the Company, which is set forth on Exhibit "C" attached hereto (the "**Pre-Development Budget**"). The Pre-Development Budget sets forth the pre-development costs and expenses incurred by each Member prior to the Effective Date and the projected pre-development costs and expenses that will be incurred by the Company after the Effective Date that have been approved by the Members. The Pre-Development Budget includes the costs and expenses incurred by the Members for the due diligence investigation and review of the Property. The Administrative Member shall not cause the Company to incur any costs or expenses in connection with the pre-development of the Project, unless such costs and expenses are set forth in the Pre-Development Budget (or the Executive Committee otherwise approves such costs or expenses in its sole and absolute discretion). In addition, no Member shall be reimbursed by the Company for any costs or expenses incurred in connection with the pre-development of the Project, except to the extent such costs and expenses are set forth in the Pre-Development Budget (or the Executive Committee otherwise approves the reimbursement of such costs or expenses in its sole and absolute discretion). The pre-development costs previously incurred by each Member (and/or any Affiliate thereof) prior to the Effective Date that are set forth in the Pre-Development Budget shall be reimbursed pursuant to Section 2.20 or credited to such Member's Capital Account and Unreturned Contribution Account pursuant to Section 3.01(b)(ii) in the case of Tejon and Section 3.01(c)(ii) in the case of Majestic.

2.07 Approved Business Plan

Majestic shall use its commercially reasonable efforts with the assistance and cooperation of Tejon to prepare and submit to the Executive Committee on or before October 31, 2022, for its review and approval, the annual business plan for the Company's first Business Plan Period provided the annual business plan for the Company's first Business Plan Period will not be completed until after the Construction Contract Condition has been satisfied. The term "**Construction Contract Condition**" means the Executive Committee has approved the final form of the Construction Contract and Commerce is prepared to execute and deliver such form of the Construction Contract to the escrow for the Construction Loan in accordance with the terms of Section 2.10. Without limiting the generality of the foregong, Majestic hereby agrees to use its commercially reasonable efforts to cause the Company to diligently pursue the satisfaction of the Construction Contract Condition (and any conditions or other requirements which must be satisfied before the Company and Commerce will execute and deliver the Construction Contract).

If Majestic does not deliver the annual business plan for the first Business Plan Period to the Executive Committee on or before the ABP Outside Date, then Tejon shall have the right, in its sole and absolute discretion, at any time thereafter, to elect to dissolve the Company by delivering written notice of such election to Majestic in accordance with the terms of Section 12.01(a) (provided such right shall terminate if and when the Executive Committee approves the initial business plan for the Company). The term "**ABP Outside Date**" means October 31, 2022, provided such date shall be extended to no later than April 1, 2023, to the extent the completion of the annual business plan for the Company's first Business Plan Period is delayed as a result of the Construction Contract Condition not being satisfied on or before October 31, 2022, as a result of the occurrence of any event outside the reasonable control of the Company (which was not taken into account in establishing the October 31, 2022 date for the completion of the annual business plan for the Company's first Business Plan Period). At present, the Members believe that the most likely event outside the reasonable control of the Company which could result in a delay in the satisfaction of the Construction Contract Condition is another "wave" of the COVID-19 pandemic which results in a general shut-down of the processing of building permits in Kern County. For the avoidance of doubt, the Members acknowledge that any normal or typical delays in any governmerntal entity issuing any permit or approval shall not result in any extension of the ABP Outside Date.

If Majestic timely delivers the annual business plan to the Executive Committee for the Company's first Business Plan Period, but the Executive Committee does not approve such business plan for any reason within five (5) days following the submission of such plan to the Executive Committee, then each Member shall have the right, in its sole and absolute discretion, at any time thereafter, to elect to dissolve the Company by delivering written notice of such election to the other Member in accordance with the terms of Section 12.01(b) (provided such right shall terminate if and when the Executive Committee approves the initial annual business plan). Within three (3) Business Days following the Executive Committee's approval of the annual business plan for the first Business Plan Period, the Company and Tejon shall execute and deliver to the escrow for the Construction Loan that certain Contribution Agreement and Joint Escrow Instructions in the form attached hereto as Exhibit "D" (the "**Contribution Agreement**") (which shall be effective concurrently with the closing of the Construction Loan).

The annual business plan for the Company's first Business Plan Period shall include (i) completed full working drawings for the first Phase of the Project, (ii) completed development drawings for each subsequent Phase of the Project (with the completed working drawings to follow separately to expedite the preparation and approval of the first annual business plan), and (iii) a general description of the due diligence review that the Company will need to undertake before it acquires the Property. Each annual business plan shall also include, without limitation, (A) a narrative description of the proposed objectives and goals for the Company, which shall include a description of any major transaction to be undertaken by the Company for such Business Plan Period (or other period); (B) an outline summary of the terms of any financing or loan commitment that the Company obtains or intends to obtain, (C) for the first Business Plan Period, a Development Plan and Development Budget as described in Section 2.08 for the Improvements; (D) for the second Business Plan Period, the status of the construction of the Improvements; (E) an Operating Budget as described in Section 2.09 below; (F) a Marketing Plan as described in Section 2.13 for the Improvements; and (G) such other items as are reasonably requested by either Member.

On or before the Applicable ABP Date, the Administrative Member shall submit a new annual business plan for each ensuing Business Plan Period to the Executive Committee for its review and approval. The term "**Applicable ABP Date**" means (1) with respect to the Company's second Business Plan Period, thirty (30) days after the start of such second Business Plan Period; (2) with respect to the Company's third Business Plan Period, the later of (x) thirty (30) days after the start of the Company's second Business Plan Period, or (y) ninety (90) days prior to the start of such third Business Plan Period; and (C) with respect to all subsequent Business Plan Periods, ninety (90) days prior to the start of each such Business Plan Period.

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

2.08 Development and Construction of Improvements

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

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

this Section 2.08, and (b) any items outside of an approved Development Budget provided such item does not exceed Twenty-Five Thousand Dollars ($25,000) alone or all of such expenditures do not exceed One Hundred Thousand Dollars ($100,000) in the aggregate, without the further consent of the other Member.

2.09 Operating Budget

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

2.10 Construction Contract

The Company shall hire Commerce, which is an Affiliate of Majestic, to be the general contractor of record for the development and construction of the Improvements under an open book arrangement pursuant to a construction contract to be entered into by and between the Company and Commerce substantially in the form attached hereto as Exhibit "E" (the "**Construction Contract**"). The architecture and engineering services for the Project (structural, civil, mechanical, electrical, plumbing, etc.) will be performed by such consultants that are approved by the Executive Committee. Subject to Executive Committee approval, David Evans and Associates (DEA) (which is the current civil engineer for Tejon Ranch Commerce Center) is intended to be the civil engineer of record for the Project.

Within three (3) Business Days following the approval of the annual business plan for the first Business Plan Period by the Executive Committee pursuant to Section 2.07, the Company and

Commerce shall execute and deliver the Construction Contract to the escrow for the Construction Loan (which shall be effective concurrently with the closing of the Construction Loan). Majestic hereby agrees to use it commercially reasonable efforts to cause Commerce to commence the construction of the Improvements promptly following the closing of the Construction Loan. All major subcontractors hired for the construction of the Improvements shall be subject to the approval of the Executive Committee, which approval shall not be unreasonably withheld, delayed or conditioned. Majestic shall provide Tejon with a copy of each bid received from each subcontractor on the date Majestic provides Tejon the final construction pricing.

Pursuant to the terms of the Construction Contract, the Company shall pay to Commerce a fee equal to five percent (5%) of the total Applicable Construction Costs incurred by the Company in connection with the construction of the Improvements as compensation for rendering the services described in the Construction Contract. The term "**Applicable Construction Costs**" means the actual "hard" and "soft" costs actually incurred by the Company in connection with the construction of the Improvements.

2.11 Development and Construction Management Services

The Administrative Member shall be responsible for (i) interviewing and recommending the environmental consultants, architects, engineers (structural, civil, mechanical, electrical, plumbing, etc.) and all other consultants, specialists and experts (collectively, the "**Consultants**") to be hired by the Company to provide various services at the Company's cost in connection with the development and construction of the Improvements, (ii) reviewing and evaluating proposed contracts to be entered into between the Company and each Consultant after the Effective Date, and (iii) negotiating such proposed contracts to be entered into after the Effective Date (it being understood that all such contracts shall be required to be approved by the Executive Committee and executed by the Company). The Administrative Member shall be responsible for coordinating and supervising the services to be provided by each such Consultant. Without limiting the generality of the foregoing, the Administrative Member shall work closely with the architects and engineers hired by the Company to prepare and process the plans and specifications (and any revisions thereto) for the Improvements. In addition to the above services, the Administrative Member shall also take the lead role in supervising the development and construction of the Improvements in coordination with Tejon.

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

As consideration for providing the development services described in this Section 2.11, the Company shall pay to the Members a development fee ("**Development Fee**") equal to four percent (4%) of the "hard costs" actually incurred in connection with the development and construction of the Improvements. The Development Fee shall be paid and earned on the first day of each calendar month based upon the "hard costs" incurred by the Company in the preceding calendar month. The Administrative Member shall be entitled to receive seventy-five percent (75%) of the Development Fee and Tejon shall be entitled to receive twenty-five percent (25%) of the

Development Fee. As consideration for providing the construction management services described in this Section 2.11, the Company shall also pay to Tejon a construction management fee equal to one percent (1%) of the Applicable Construction Costs incurred in connection with the development and construction of such Improvements.

2.12 Master Developer Work

Tejon (in its capacity as the master developer of the Tejon Ranch Commerce Center) shall be obligated to perform in accordance with the Development Plan the work described on Exhibit "G" attached hereto (the "**Master Developer Work**"), at Tejon's sole cost and expense, in connection with the contribution of the Property to the Company, to the extent reasonably necessary for the development of the Improvements. Prior to commencing the Master Developer Work, (i) the Executive Committee shall reasonably agree upon the location of all utility connections and the ingress and/or egress improvements to be constructed as part of the Master Developer Work, and (ii) Tejon shall provide Majestic with a copy of the plans and specifications for any ingress and/or egress improvements to be constructed as part of the Master Developer Work for the review and input of Majestic; provided, however, the Executive Committee shall have the right to approve such plans and specifications (which approval shall not be unreasonably withheld, delayed or conditioned). Subject to any delays permitted by Section 13.23, Tejon shall be obligated (A) to perform the Master Developer Work in a coordinated manner consistent with the schedule in the Development Plan such that each Phase of the Project can be completed in accordance with the Development Plan on or before the scheduled completion date for such Phase, and (B) in compliance with all required permits from the local government authority. Tejon shall provide Majestic with monthly updates of the Master Developer Work, which has been performed or is contemplated to be performed in the future.

2.13 Marketing Management

The Administrative Member shall be responsible for preparing a marketing plan for the Project with the assistance of, and in coordination with, the other Member. The marketing plan shall be submitted by the Administrative Member to the Executive Committee for its review and approval not later than thirty (30) days following the date the Property is contributed to the Company, which approval shall not be unreasonably withheld, delayed or conditioned. Each marketing plan that is approved by the Executive Committee is hereinafter referred to as the "**Marketing Plan**." The Marketing Plan shall describe in reasonable detail (i) the target market and profile of the anticipated tenants for the apartment units and other space contained in the Project, (ii) the marketing, leasing and sales objectives and a timeline for accomplishing such objectives, and (iii) such other information regarding the marketing of the Project as is reasonably requested by the Executive Committee. The Property Manager shall be responsible for implementing each Marketing Plan on behalf of the Company with the supervision and oversight of the Administrative Member. The Marketing Plan shall be updated by the Administrative Member on a quarterly basis and submitted to the Executive Committee for its review and approval, which approval shall not be unreasonably withheld, delayed or conditioned..

2.14 Property Management

The Company shall hire a third-party property management company approved by the Executive Committee to act as the property manager for the Project (the "**Property Manager**"). The Members acknowledge that the Project shall require full-time on-site property management and on-site leasing personnel including full-time managers, leasing staff, day porters, building maintenance staff and other support staff, which shall be provided by the Property Manager. The Property Manager shall be responsible for leasing the Project and otherwise managing the day-to-day operation of the Project including asset management and operational accounting. Without limiting the generality of the foregoing, the Property Manager shall be responsible for managing the accounting for the leasing and operation of the Project and the contract and lease administration for the Project including enforcing the Company's rights and benefits, and causing the Company to perform its duties and obligations, under each lease entered into with respect to the Project. The Property Manager shall also be responsible for the repair and maintenance of the Project and tenant service.

As consideration for supervising the Property Manager and providing accounting and reporting oversight services in the case of Majestic, the Company shall pay to each Member a fee (the "**Supervision Fee**") equal to 50/100ths percent (0.50%) of the gross rents received by the Company from the lease of the apartment units and the other space contained in the Project. The Supervision Fee shall be paid and earned on the first day of each calendar month based upon the gross receipts realized by the Company in the preceding calendar month from the lease of the apartment units and any other space contained in the Project.

2.15 Financing Fee

As described more fully in Section 3.04, the Administrative Member shall be responsible for analyzing, pursuing and causing the Company to procure a Construction Loan, each Permanent Loan and any other financing to be obtained by the Company. As compensation for procuring such financing on behalf of the Company, the Company shall pay to the Administrative Member a fee equal to 30/100ths percent (0.30%) of the original principal amount of each loan obtained by the Company (the "**Financing Fee**") provided Majestic procures such financing on commercially reasonable terms consistent with the terms of the financing obtained in the joint ventures previously entered into by and between the Members and/or their respective Affiliates with respect to real property located within the Tejon Ranch Commerce Center. If the Company retains an outside capital markets firm to assist in the placement of debt for the Project at a fee or cost to the Company, then the Administrative Member shall not be entitled to receive the Financing Fee with respect to such financing.

2.16 Authority with Respect to the Affiliate Agreements

Notwithstanding any other provision of this Agreement including, without limitation, Sections 2.01, 2.02, 2.03 and 2.04, Tejon or Majestic, as the case may be, shall have the sole right, power and authority, in its sole and absolute discretion and without the consent or approval of the other Member (the "**Affiliated Member**"), (i) to cause the Company to enforce its rights under any contract or other agreement entered into by the Company with the Affiliated Member and/or any Affiliate thereof (collectively, the "**Affiliate Agreements**") following any breach by the

Affiliated Member and/or any Affiliate thereof under any such Affiliate Agreement, (ii) to make all decisions on behalf of the Company with respect to any amendment, modification, rescission, extension, and/or termination under any Affiliate Agreement, (iii) to determine the existence of any default under any Affiliate Agreement and to cause the Company to declare any such default following any breach by the Affiliated Member and/or any Affiliate thereof under such Affiliate Agreement, (iv) to cause the Company to institute, settle and/or compromise any claim under any Affiliate Agreement against the Affiliated Member and/or any Affiliate thereof, (v) to cause the Company to waive any rights of the Company against the Affiliated Member and/or any Affiliate thereof under any Affiliate Agreement, and (vi) to cause the Company to consent to the assignment of any rights and/or the delegation of any duties by the Affiliated Member and/or any Affiliate thereof under any Affiliate Agreement. Majestic or Tejon, as the case may be, shall cooperate in good faith with the other Member in the exercise by the other Member of the foregoing rights and actions under the Affiliate Agreements. For the avoidance of any doubt, the Members acknowledge that the Construction Contract to be entered into by the Company and Commerce constitutes an Affiliate Agreement under this Agreement (as a result of Commerce being an Affiliate of Majestic).

2.17 Election, Resignation, Removal of the Administrative Member

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

(b) Resignation. The Administrative Member may resign upon no less than one hundred twenty (120) days prior written notice to the other Member. Except as set forth below in Section 2.17(d), any resignation of the Administrative Member in accordance with the terms of this Section 2.17(b) shall not affect the Administrative Member's rights as a member of the Company, and shall not constitute a withdrawal of the Administrative Member as a member of the Company.

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

(i) Breach of Agreement. The breach of any material covenant, duty or obligation under this Agreement by the Administrative Member if (i) the Administrative Member has received written notice from the other Member of the breach describing such breach in reasonable detail, and (ii) (A) the breach is not reasonably susceptible of being cured, or (B) if the breach is reasonably susceptible of being cured (1) the Administrative Member has failed to commence the cure or

remedy of the breach within fifteen (15) days following the effective date of the notice, or (2) failed to complete the cure or remedy within a reasonable period of time (not to exceed sixty (60) days following the effective date of such notice, unless the cure or remedy cannot be reasonably completed within such sixty (60)-day period and the Administrative Member fails to diligently proceed with the cure or remedy to completion within an additional forty-five (45) days following the expiration of such initial sixty (60)-day period);

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

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

(d) Rights Following Resignation or Removal. Upon the resignation of an Administrative Member or the removal of a member as the Administrative Member in accordance with Section 2.17(c), (i) the resigned or removed Member shall be relieved of its duties as Administrative Member under this Agreement including, without limitation, the duty to provide the development management, marketing and property management services described in Sections 2.11, 2.13 and 2.14, (ii) the other Member shall have the right, power and authority to designate each replacement Administrative Member (which may be the other Member (including a member, which previously served as the Administrative Member), any Affiliate of the other Member and/or any other Person) to replace the Member that has resigned or been removed as the Administrative Member (or any replacement Administrative Member) and such replacement Administrative Member shall have all of the rights, duties and obligations of the Administrative Member under this Agreement (including, without limitation, the right to receive any fees or other amounts payable to the Administrative Member under this Agreement following such resignation or removal for services that are thereafter provided by the replacement Administrative Member), and (iii) the other Member may terminate any or all of the Affiliate Agreements entered into with the Administrative Member or any Affiliate thereof and/or hire at the expense of the Company a new development manager, marketing director and/or property manager including, without limitation, any Affiliate of such other Member which is qualified to render the services previously provided by the resigned or removed Member.

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

under this Agreement (other than any rights, duties and/or obligations as the Administrative Member).

2.18 Officers

(a) Appointment of Officers. The Executive Committee may appoint, and delegate authority to, officers ("**Officers**") of the Company at any time. The Officers of the Company may include, without limitation, a Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Senior Vice President, Vice President, Assistant Vice President, Secretary and Assistant Secretary. Any individual may hold any number of offices. Unless the Executive Committee otherwise determines in its sole and absolute discretion, (i) if the title assigned to any Officer is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, then the assignment of such title shall constitute the delegation to such person of the rights, powers, duties, obligations and authority that are normally associated with that office, and (ii) no Officer shall receive any salary or other compensation for acting as an Officer of the Company. Any delegation pursuant to this Section 2.18(a) may be revoked at any time by the Executive Committee. The Officers shall serve at the pleasure of the Executive Committee.

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

2.19 Treatment of Payments

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

2.20 Reimbursement and Fees

Except as expressly provided in this Agreement, the Construction Contract, or otherwise agreed to in writing by the Executive Committee, including, without limitation, pursuant to the terms of any Approved Business Plan, none of the Members (or their respective Affiliates and/or other representatives) shall be paid any compensation for rendering services to the Company or

otherwise be reimbursed for any costs and expenses incurred by such Member (and/or any Affiliate or representative thereof) on behalf of the Company. Notwithstanding the foregoing, each Member shall be promptly reimbursed by the Company following the closing of the Construction Loan for any pre-development costs that are set forth in the Pre-Development Budget incurred by such Member to the extent such costs are not credited to such Member's Capital Account pursuant to Section 3.01(b)(ii) or Section 3.01(c)(ii) (subject to providing the supporting documentation described below in this Section 2.20). Without limiting the generality of the foregoing provisions of this Section 2.20, neither Member nor any Affiliate thereof shall be reimbursed for any general and administrative costs and expenses incurred by such party, and any costs incurred by Tejon in creating the legal parcel or parcels comprising the Property shall not be subject to reimbursement. Any request for reimbursement by any Member pursuant to this Section 2.20 shall be accompanied by supporting documentation and shall be made within forty-five (45) days after the date such expenses are incurred by such Member. Any such reimbursements made by the Company to a Member shall not reduce such Member's Capital Account or Unreturned Contribution Account.

2.21 Insurance

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

ARTICLE III
MEMBERS' CONTRIBUTIONS TO COMPANY

3.01 Initial Contributions of the Members

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

(a) Initial Cash Contributions. Concurrently with the execution and delivery of this Agreement, each of Tejon and Majestic shall make an initial cash contribution of One Hundred Thousand Dollars ($100,000) to the capital of the Company to enable the Company to open a bank account and to fund the anticipated costs and expenses that will be incurred by the Company prior to the funding of the Construction Loan described in Section 3.04. Each Member's Capital Account and Unreturned Contribution Account shall be credited by such amount on the date such contribution is made.

(b) Tejon Property and Related Contributions. Tejon hereby agrees to make the following contributions:

(i) In accordance with the terms of the Contribution Agreement, Tejon shall assign, transfer and contribute to the capital of the Company, Tejon's entire fee interest in and to the Property which consists of approximately twenty-one and 92/100ths (21.92) net acres of land (subject to all liens, encumbrances and other permitted exceptions to title approved under the Contribution Agreement).

Subject to the following sentence, the Property shall be contributed by Tejon to the Company concurrently with the closing of the Construction Loan at an agreed upon value (net of all such approved liens, encumbrances and permitted exceptions) of Five Dollars ($5.00) per square foot of the net usable land area, reduced by the lien for property taxes not yet payable and adjusted for any other prorations in the manner described below and any other items agreed to by Tejon and Majestic under the Contribution Agreement (the "**Agreed Value**"). Solely for purposes of determining the Agreed Value, Tejon shall be deemed to have contributed an additional 77/100ths (0.77) acres of land to the Company which represents the excess of the four and 33/100ths (4.33) acres of land that Tejon will trade prior to the closing of the Construction Loan in exchange for the three and 66/100ths (3.66) acres of land owned by TRCC Rock Outlet Centers LLC previously improved with three hundred sixty-five (365) parking spaces (i.e., 4.33-3.66 = 0.77). The Agreed Value shall be reduced by the amount of any net prorations and credits charged to Tejon under the Contribution Agreement and increased by the amount of any net prorations and credits charged to the Company under the Contribution Agreement. The Agreed Value of the Property prior to any adjustment for real property taxes not yet payable, prorations and credits will equal approximately Four Million Nine Hundred Forty-One Thousand Eight Hundred Eighty-Two Dollars ($4,941,882) (i.e., (total acreage of (21.92 acres + 0.77 acres) × 43,560) × $5.00 = $4,941,882). Tejon's Capital Account and Unreturned Contribution Account shall each be credited by an amount equal to the Agreed Value on the date the Property is contributed to the Company.

(ii) Contribution of Work Product. Effective concurrently with the contribution of the Property to the Company pursuant to Section 3.01(b)(i) and the closing of the Construction Loan, Tejon herby assigns, transfers and contributes to the Company the entire right, title and interest of Tejon in and to all reports, studies and other work product obtained by Tejon prior to the Effective Date that relate to the Property (collectively, the "**Tejon Work Product**"). Tejon's Capital Account and Unreturned Contribution Account shall each be credited on the date the Tejon Work Product is contributed to the Company by an amount equal to Four Hundred Thirteen Thousand Eighty Dollars ($413,080) (which equals the pre-development costs paid by Tejon prior to the Effective Date set forth in the Pre-Development Budget). In furtherance of the foregoing, Tejon hereby represents and warrants that Tejon and/or one (1) or more of its Affiliates has actually paid the pre-development costs to be credited to Tejon's Capital Account and Unreturned Contribution Account pursuant to this Section 3.01(b)(ii).

(c) Majestic Balancing Contribution and Work Production Contribution. Majestic hereby agrees to make the following contributions:

(i) Concurrently with the contribution of the Property to the Company pursuant to Section 3.01(b)(i) and the closing of the Construction Loan (and through the escrow established for the Construction Loan), Majestic shall contribute to the capital of the Company, in cash, an amount equal to the sum of (A) fifty percent (50%) of the Agreed Value, and (B) the excess of (1) fifty percent

(50%) of the amount of the pre-development costs set forth in the Pre-Development Budget paid by both Members (or any Affiliate thereof) prior to the Effective Date, minus (2) the pre-development costs set forth in the Pre-Development Budget paid by Majestic (or any Affiliate thereof) prior to the Effective Date. Majestic's Capital Account and Unreturned Contribution Account shall be credited by such amount on the date such contribution is made. Concurrently with the closing of the Construction Loan, the Company shall distribute the capital contribution made by Majestic pursuant to this Section 3.01(c)(i) to Tejon, which distribution shall be debited to Tejon's Capital Account and Unreturned Contribution Account on the date such distribution is made. After such distribution is made, the balance standing in Tejon's Capital Account and Unreturned Contribution Account shall equal the sum of (x) the capital contributed by Tejon to the capital of the Company pursuant to Section 3.01(a), (y) fifty percent (50%) of the Agreed Value, and (z) fifty percent (50%) of the pre-development costs set forth in the Pre-Development Budget paid by the Members (and/or any affiliate thereof) prior to the Effective Date (which will equal the balance standing in Majestic's Capital Account and Unreturned Contribution Account on the date such distribution is made).

(ii) Contribution of Work Product. Effective concurrently with the contribution of the Property to the Company pursuant to Section 3.01(b)(i) and the closing of the Construction Loan, Majestic herby assigns, transfers and contributes to the Company the entire right, title and interest of Majestic in and to all reports, studies and other work product obtained by Majestic prior to the Effective Date that relate to the Property (collectively, the "**Majestic Work Product**"). Majestic's Capital Account and Unreturned Contribution Account shall each be credited on the date the Majestic Work Product is contributed to the Company by an amount equal to the pre-development costs set forth in the Pre-Development Budget paid by Majestic prior to the Effective Date. In furtherance of the foregoing, Majestic hereby represents and warrants that Majestic and/or one (1) or more of its Affiliates has actually paid the pre-development costs to be credited to Majestic's Capital Account and Unreturned Contribution Account pursuant to this Section 3.01(c)(ii).

3.02 Additional Capital Contributions

If the Company has insufficient funds to meet its current or projected financial requirements (a "**Shortfall**"), then the Administrative Member shall give written notice (the "**Capital Call Notice**") of such Shortfall to the other Member. The Contribution Notice shall summarize, with reasonable particularity, the Company's actual and projected cash obligations, cash on hand, projected sources and amounts of future Cash Flow and a contribution date ("**Additional Contribution Date**") (which shall not be less than ten (10) Business Days following the effective date of such notice) upon which each Member shall be obligated to contribute to the capital of the Company, in cash, such Member's Percentage Interest of the funds necessary to satisfy such Shortfall. If the Company has a Shortfall and the Administrative Member fails to deliver a Capital Call Notice so that the Company may timely satisfy any such Shortfall, then the other Member may deliver the Capital Call Notice pursuant to this Section 3.02. Any and all amounts contributed to the capital of the Company by any Member pursuant to this Section 3.02

shall be credited to such Member's Capital Account and Unreturned Contribution Account on the date any such contribution is made.

3.03 Remedy for Failure to Contribute Capital

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

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

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

To secure the repayment of any and all Default Loans made to the Non-Contributing Member, such Non-Contributing Member hereby grants a security interest in favor of the Contributing Member in and to the Non-Contributing Member's entire Interest in the Company, and hereby irrevocably appoints the Contributing Member, and each of the Contributing Member's representatives, agents, officers or employees, as the Non-Contributing Member's attorney(s)-in-fact, with full power to prepare, execute,

acknowledge, and deliver, as applicable, all documents, instruments, and/or agreements memorializing and/or securing such Default Loan(s), including, without limitation, such Uniform Commercial Code financing and continuation statements, mortgages, pledge agreements and other security instruments as may be reasonably appropriate to perfect and continue the security interest in favor of such Contributing Member.

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

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

The Contributing Member may elect any of the options set forth in the immediately preceding sentence by giving written notice of such election to the Non-Contributing Member within thirty (30) days following such maturity date. Failure of the Contributing Member to timely give such written notice to the Non-Contributing Member shall be deemed to constitute an election to renew such Default Loan for an additional term of one hundred twenty (120) days on the terms set forth herein. If the Contributing Member elects to foreclose upon the security interest in the Non-Contributing Member's Interest in the Company granted above, then the Contributing Member is authorized to cancel the Certificate evidencing the Non-Contributing Member's Interest in the Company and issue a new Certificate to the Contributing Member that has foreclosed upon such Interest.

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

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

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

The application of the provisions of this Section 3.03(b) are illustrated by the following example: Assume that (1) the aggregate balance standing in each Member's Unreturned Contribution Account and Capital Account is equal to Two Million Five Hundred Thousand Dollars ($2,500,000) (i.e., $5,000,000 in the aggregate), (2) a contribution of Four Hundred Thousand Dollars ($400,000) is required to be contributed by the Members to the capital of the Company pursuant to Section 3.02, (3) the Non-Contributing Member has a Percentage Interest of fifty percent (50%) and fails to contribute its share of such contribution equal to Two Hundred Thousand Dollars ($200,000) (i.e., 50% × $400,000), and (4) the Contributing Member has a Percentage

Interest of fifty percent (50%) and contributes its entire share of such contribution equal to Two Hundred Thousand Dollars ($200,000) (i.e., 50% × $400,000) and the Delinquent Contribution of Two Hundred Thousand Dollars ($200,000) to the capital of the Company on behalf of the Non-Contributing Member pursuant to this Section 3.03(b), which increases the balance standing in the Contributing Member's Unreturned Contribution Account and Capital Account (before taking into account the Adjustment Amount) from Two Million Five Hundred Thousand Dollars ($2,500,000) to Two Million Nine Hundred Thousand Dollars ($2,900,000) (i.e., $2,500,000 + $400,000 = $2,900,000). By operation of this Section 3.03(b), the Adjustment Amount would equal One Hundred Thousand Dollars ($100,000) (i.e., $200,000 Delinquent Contribution × 50% = $100,000), and the Dilution Percentage would be equal to five and 56/100ths (5.56) percentage points as calculated in accordance with the following formula:

$$5.56 = 150 \times \frac{\$200,000}{\$5,400,000}$$

Accordingly, (x) the balance standing in each Member's Unreturned Contribution Account and Capital Account would be (AA) decreased in the case of the Non-Contributing Member from Two Million Five Hundred Thousand Dollars ($2,500,000) to Two Million Four Hundred Thousand Dollars ($2,400,000) (i.e., $2,500,000 - $100,000 Adjustment Amount = $2,400,000), and (BB) increased in the case of the Contributing Member from Two Million Nine Hundred Thousand Dollars ($2,900,000) to Three Million Dollars ($3,000,000) (i.e., $2,900,000 + $100,000 Adjustment Amount = $3,000,000), (y) the Percentage Interest of each Member would be (AA) decreased in the case of the Non-Contributing Member by five and 56/100ths (5.56) percentage points from fifty percent (50%) to forty-four and 44/100ths percent (44.44%) (i.e., 50% - 5.56% = 44.44%), and (BB) increased in the case of the Contributing Member by five and 56/100ths (5.56) percentage points from fifty percent (50%) to fifty-five and 56/100ths percent (55.56%). After the foregoing adjustments, the ratio of the balance standing in each Member's Unreturned Contribution Account and Capital Account to the balances standing in both Members' Unreturned Contribution Accounts and Capital Accounts would be fifty-five and 56/100ths percent (55.56%) in the case of the Contributing Member (i.e., $3,000,000/$5,400,000 = 55.56%) and forty-four and 44/100ths percent (44.44%) in the case of the Non-Contributing Member (i.e., $2,400,000/$5,400,000 = 44.44%) (which will the same as each Member's Percentage Interest in the Company following the dilution under this example).

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

(d) Election of Remedy. The Contributing Member shall determine which of the options set forth in Sections 3.03(a), 3.03(b) and/or 3.03(c) are to be exercised by the Contributing Member with respect to each Delinquent Contribution. If the Contributing Member advances any amount to the Company pursuant to this Section 3.03

but fails to specify which of the foregoing options the Contributing Member has elected within thirty (30) days after the effective date that the Contributing Member makes such advance, then such Contributing Member shall be deemed to have elected the option set forth in Section 3.03(a) above with respect to such advance.

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

3.04 Financing

The Administrative Member shall use its commercially reasonable efforts to cause the Company to procure a construction loan (the "**Construction Loan**") to finance the development and construction of the Improvements from one (1) or more independent third-party institutional lenders selected by the Administrative Member (individually, the "**Lender**" and collectively, the "**Lenders**") upon prevailing market terms and conditions. The Administrative Member shall also use its commercially reasonable efforts to obtain a permanent loan (the "**Permanent Loan**") from one (1) or more Lenders to refinance the Construction Loan upon prevailing market terms and conditions (and any other financing thereafter required to refinance the Permanent Loan), which shall be nonrecourse to the Members (subject to any Nonrecourse Documents described in Section 3.05 required to be provided to the Lender providing any such Permanent Loan). The Construction Loan and the Permanent Loan shall be secured by a deed of trust encumbering the Project. Any such financing and/or refinancing obtained by the Administrative Member on behalf of the Company (collectively, the "**Loans**") shall require the consent of the Executive Committee pursuant to Section 2.04(e). The Administrative Member shall not agree to any debt coverage limitations with respect to any financing that is obtained by the Company without the prior written consent of the Executive Committee. If the Company does not close the Construction Loan within ten (10) days following the approval of the annual business plan for the Company's first Business Plan Period pursuant to Section 2.07, then either Member may elect to dissolve the Company by delivering written notice of such election to the other Member pursuant to Section 12.01(c) (provided such election is made prior to the date (if any) that the Company closes the Construction Loan).

3.05 Agreement to Provide Guarantees and Indemnification

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

required by any Lender providing a Permanent Loan to the Company provided such Nonrecourse Documents are approved by the Executive Committee in its reasonable discretion.

The Administrative Member shall use its commercially reasonable efforts to obtain each Lender's agreement that the obligation of each Guarantor under each Recourse Document and Nonrecourse Document shall be several (i.e., not joint and several) as between the Members (and their respective Affiliates) and proportionate to the Percentage Interest of each Member that is an Affiliate of such Guarantor determined as of the date any liability is incurred under any such Recourse Document or Nonrecourse Document. The Members acknowledge and agree that each Recourse Document and Nonrecourse Document executed by any Guarantor shall be executed only as an accommodation to the Company and/or the Members. The Company shall indemnify, defend, protect and hold each such Guarantor wholly harmless from and against any and all claims, liabilities, losses, costs, expenses, damages and/or expenses including, without limitation, any attorneys' and expert witness fees and costs (collectively, "**Losses**") incurred by any such Guarantor as a result of such Recourse Document and Nonrecourse Document (or as a result of the rights of contribution described below) in accordance with the terms of Section 10.02(b). Either Member may deliver a Capital Call Notice in accordance with the provisions of Section 3.02 to require the Members to make additional contributions to the capital of the Company to enable the Company to satisfy the indemnity for any Losses described in this Section 3.05.

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

At any time that any Contributing Party has a right of contribution against the Non-Contributing Party under this Section 3.05, the Non-Contributing Party shall be obligated to satisfy such contribution obligation by paying the required amount, in cash, within ten (10) days following written notice thereof from the Contributing Party. If any such payment is not timely and validly made within such ten (10)-day period, then from and after the date such amount was required to be paid, such amount shall bear interest at the lesser of (1) the prevailing prime commercial lending rate of Wells Fargo Bank plus five (5) percentage points, adjusted concurrently with any adjustments to such rate and compounded annually, or (2) the maximum non-usurious rate allowed by law. The Contributing Party shall also be entitled to collect from the Non-Contributing Party

any and all costs and expenses of enforcing such contribution obligation including, without limitation, reasonable attorneys' and expert witness fees and costs.

The Members acknowledge and agree that each of the Guarantors (that are not Members) are express third-party beneficiaries of the foregoing provisions of this Section 3.05, and, as such, all of the Guarantors have the right, power and authority to enforce the provisions of this Section 3.05. Each Member further agrees to cause any Guarantor affiliated with such Member to agree to be bound by the foregoing provisions of this Section 3.05 at the time such Guarantor executes and delivers any Recourse Document or Non-Recourse Document.

3.06 Capital Contributions in General

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

ARTICLE IV
ALLOCATION OF PROFITS AND LOSSES

4.01 Net Losses

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

4.02 Net Profits

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

4.03 Special Allocations

Notwithstanding any other provisions of this Agreement, no Net Losses or items of expense, loss or deduction shall be allocated to any Member to the extent such an allocation would cause or increase a deficit balance standing in such Member's Adjusted Capital Account and any such Net Losses and items of expense, loss and deduction shall instead be allocated to the Members in proportion to their respective "interests" in the Company as determined in accordance with

Treasury Regulation Section 1.704-1(b). In addition, items of income and gain shall be specially allocated to the Members in accordance with and to the extent required by the qualified income offset provisions set forth in Treasury Regulation Section 1.704-1(b)(2)(ii)(d). Notwithstanding any other provision in this Article IV, (i) any and all "partnership nonrecourse deductions" (as defined in Treasury Regulation Section 1.704-2(b)(1)) of the Company for any Fiscal Year or other period shall be allocated to the Members in proportion to their respective Percentage Interests; (ii) any and all "partner nonrecourse deductions" (as such term is defined in Treasury Regulation Section 1.704-2(i)(2)) attributable to any "partner nonrecourse debt" (as such term is defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated to the Member that bears the "economic risk of loss" (as determined under Treasury Regulation Section 1.752-2) for such "partner nonrecourse debt" in accordance with Treasury Regulation Section 1.704-2(i)(l); (iii) each Member shall be specially allocated items of Company income and gain in accordance with the partnership minimum gain chargeback requirements set forth in Treasury Regulation Sections 1.704-2(f) and 1.704-2(g); and (iv) each Member with a share of minimum gain attributable to any "partner nonrecourse debt" shall be specially allocated items of Company income and gain in accordance with the partner minimum gain chargeback requirements of Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(i)(5). Any and all "excess nonrecourse liabilities" as determined under Treasury Regulation Section 1.752-3(a)(3) shall be allocated to the Members in proportion to their respective Percentage Interests.

4.04 Curative Allocations

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

4.05 Differing Tax Basis; Tax Allocation

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

of the maintenance of Capital Accounts in accordance with this Agreement and Treasury Regulation Section 1.704-1(b)(2)(iv)(g)).

ARTICLE V
DISTRIBUTION OF CASH FLOW

5.01 Cash Flow

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

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

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

5.02 Limitations on Distributions

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

5.03 Withholding

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

5.04 In-Kind Distribution

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

ARTICLE VI
RESTRICTIONS ON TRANSFERS OF COMPANY INTERESTS

6.01 Limitations on Transfer

Except as otherwise set forth in Section 3.03, this Article VI, Article VII and Article VIII, no Member shall be entitled to sell, exchange, assign, transfer, or otherwise dispose of, pledge, hypothecate, encumber or otherwise grant a security interest in (collectively, the "**Transfer**"), directly or indirectly, all or any part of such Member's Interest in the Company or withdraw or retire from the Company, without the prior written consent of the other Member, which consent

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

6.02 Permitted Transfers

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

(a) Affiliates. In the case of either Member, to any Affiliate of such Member provided the original transferring Member (that executed this Agreement) or its direct or indirect owners at all times thereafter own fifty percent (50%) or more of the voting and beneficial interests in such Affiliate;

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

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

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

(e) Majestic Multi-Asset Transfer. In the case of Majestic, a transfer of all, but not less than all, of its Interest in the Company as part of a transaction in which one (1) or more members of the Majestic Group (as defined below) in a single transaction or series of related transactions transfer five (5) or more of its Real Estate Assets with a gross asset value of at least Two Hundred Million Dollars ($200,000,000). For this purpose, the term "**Majestic Group**" means all corporations, partnerships and limited liability companies in which the Roski Family owns, directly or indirectly, fifty percent (50%) or more of the ownership and voting interests;

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

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

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

Notwithstanding any other provision of this Agreement, no transfer described in Section 6.02 shall be permitted if the consummation of such transfer would result in (i) the Company being obligated to pay any documentary transfer taxes, unless the transferring Member promptly reimburses the Company for the payment of all such documentary transfer taxes, or (ii) a breach or violation of any transfer restrictions contained in the loan documentation (and/or guaranty) relative to any indebtedness encumbering all or any portion of the Project and/or any other agreement governing the Company, unless such transfer restrictions are waived by the non-transferring Member, the applicable lender and/or the parties to such agreement, as the case may be (provided payment by the transferring Partner or its transferee of applicable lender fees and charges to effect such transfer shall not constitute a violation).

6.03 Admission of Substituted Members

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

6.04 Election; Allocations between Transferor and Transferee

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

6.05 Partition

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

6.06 Waiver of Withdrawal and Purchase Rights

Except in connection with any transfer permitted in accordance with this Agreement, no Member may voluntarily withdraw, resign or retire from the Company without the prior written consent of the other Member, which consent may be withheld in such other Member's sole and absolute discretion. In furtherance of the foregoing, each Member hereby waives any and all rights such Member may have to withdraw and/or resign from the Company pursuant to

Section 18-603 of the Delaware Act and hereby waives any and all rights such Member may have to receive the fair value of such Member's Interest in the Company upon such resignation and/or withdrawal pursuant to Section 18-604 of the Delaware Act.

6.07 No Appraisal Rights

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

6.08 Foreclosure of Interest

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

ARTICLE VII
MEMBER DEFAULT

7.01 Default Events

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

(a) Breach of Agreement. The breach of any material covenant, duty or obligation under this Agreement by any Member (other than a breach described in Section 7.01(b) or 7.01(c) for which there shall be no cure period) if (i) the breaching Member has received written notice from the other Member of the breach, and (ii) (A) the breach is not reasonably susceptible of being cured, or (B) if the breach is reasonably susceptible of being cured, the breaching Member has failed to commence the cure or remedy of the breach within fifteen (15) days following the effective date of the notice and failed to complete the cure or remedy within a reasonable period of time (not to exceed 60 days), unless the cure or remedy cannot be reasonably completed within such sixty (60)-day period and the breaching Member fails to diligently proceed with the cure or remedy to completion within an additional forty-five (45) days following the expiration of such initial sixty (60)-day period;

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

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

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

(e) Appointment of Receiver. The rendering, by a court with appropriate jurisdiction, of a decree or order (i) for the appointment of a receiver, a liquidator, or a trustee or assignee in bankruptcy or insolvency of a Member, or for the winding up and liquidation of such Member's affairs, provided that such decree or order shall have remained in force undischarged and unstayed for a period of sixty (60) days, or (ii) for the sequestration or attachment of any property of a Member without its return to the possession of such Member or its release from such sequestration or attachment within sixty (60) days thereafter; or

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

For the purposes of implementing the provisions contained in this Article VII, the "**Defaulting Member**" shall be: (i) in the case of the event referenced in Section 7.01(a), the Member that has breached any material covenant, duty or obligation under this Agreement; (ii) in the case of the event referenced in Section 7.01(b), the Non-Contributing Member; (iii) in the case of the occurrence of the event referenced in Section 7.01(c), the Member that has transferred such Member's rights or interests or withdrawn from the Company contrary to the provisions of Article VI; and (iv) in the case of the occurrence of any of the events referenced in Sections 7.01(d), (e) and/or (f), the Member that is the subject of such court decree or order or has instituted such proceedings or filed such petitions or who is insolvent, etc. The term "**Non-**

Defaulting Member" shall mean the Member that is not the Defaulting Member. For the avoidance of doubt, any default by an Affiliate of a Member under any agreement between such Affiliate and the Company shall not constitute a Default Event by the Member under this Agreement. A Member shall cease to be a Defaulting Member solely for purposes of this Article VII following the occurrence of a Default Event with respect to such Member if the Non-Defaulting Member fails to deliver a Default Notice within the sixty (60)-day or ninety (90)-day periods, as the case may be, set forth in Section 7.02, following the occurrence of such Default Event.

7.02 Rights Arising From a Default Event

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

7.03 Determination of Defaulting Member's Purchase Price

Within thirty (30) days after the determination of the Appraised Value of the assets of the Company, the Accounting Firm shall determine the amount of cash which would be distributed to each Member if (i) the assets of the Company were sold for the Appraised Value thereof as of the effective date of the Default Notice; (ii) the liabilities of the Company were liquidated pursuant to Section 12.02(a); (iii) a reasonable reserve for any contingent, conditional or unmatured liabilities or obligations of the Company was established by the Non-Defaulting Member pursuant to Section 12.02(b); and (iv) any remaining amounts (including, without limitation, any cash proceeds of the Company) were distributed to the Members in accordance with the provisions of Section 12.02(c). Upon such determination, the Accounting Firm shall give each Member written notice ("**Accountant's Notice**") thereof. The determination by the Accounting Firm of such amounts, including all components thereof, shall be deemed conclusive absent any material computational error. In the case of a Default Event described in Section 7.01(a), (b) or (c), ninety percent (90%), and in the case of any other Default Event, one hundred percent (100%), of the amount which would be distributed to the Defaulting Member pursuant to Section 12.02(c) shall be deemed the purchase price for the Defaulting Member's Interest (the "**Defaulting Member's Purchase Price**") for purposes of this Article VII; subject, however, to adjustment for any Default Loans as provided in Section 7.09.

(a) Determination of Appraised Value. For purposes of this Article VII, the appraised value ("**Appraised Value**") of the assets of the Company shall be determined as follows: The Appraised Value shall be determined by one (1) or more independent qualified M.A.I. appraisers with at least five (5) years' experience appraising multi-family real estate projects similar to the Project. The Non-Defaulting Member shall select one (1) appraiser and shall include such selection in the Default Notice. Within fifteen (15) Business Days following the effective date of the Default Notice, the Defaulting Member

shall either agree to the appraiser selected by the Non-Defaulting Member or select a second (2nd) appraiser and give written notice to the Non-Defaulting Member of the person so selected. If either the Non-Defaulting Member or the Defaulting Member fails to appoint such an appraiser within the time period specified and after the expiration of five (5) Business Days following the effective date of written demand that an appraiser be appointed, then the appraiser duly appointed by the Member making such demand to appoint such appraiser shall proceed to make the appraisal as herein set forth, and the determination thereof shall be conclusive on both of the Members. If two (2) appraisers are selected, then such selected appraisers shall thereafter appoint a third (3rd) appraiser. If the two (2) selected appraisers fail to appoint a third (3rd) appraiser within ten (10) Business Days following the effective date of written notice from the Defaulting Member notifying the Non-Defaulting Member of the selection of the second (2nd) appraiser, then any Member may petition a court of competent jurisdiction to appoint a third (3rd) appraiser, in the same manner as provided for the appointment of an arbitrator pursuant to California Code of Civil Procedure Section 1281.6.

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

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

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

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

7.04 Non-Defaulting Members' Option

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

7.05 Closing Adjustments

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

7.06 Closing of Purchase and Sale

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

7.07 Representations and Warranties

At the closing, the Defaulting Member shall represent and warrant to the Non-Defaulting Member that the sale of the Defaulting Member's Interest to the Non-Defaulting Member (or its nominee) (i) does not violate, conflict with, or result in a breach of any provisions of, or constitute a material default (or an event which, with notice or lapse of time or both, would constitute a material default) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, security or pledge agreement, license, lease, franchise, permit, agreement or other instrument or obligation to which the Defaulting Member is a party (exclusive of any such

agreement or other instrument or obligation to which the Company is a party), or (ii) violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to the Defaulting Member or any of the other properties or assets of the Defaulting Member. The Defaulting Member shall also represent and warrant to the Non-Defaulting Member at such closing that no notice to, declaration, filing or registration with, or authorization, consent or approval, or permit from, any domestic or foreign governmental regulatory body or authority, or any Person, is necessary in connection with the sale of its Interest to the Non-Defaulting Member.

7.08 Payment of Defaulting Member's Purchase Price

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

7.09 Repayment of Default Loans

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

7.10 Release and Indemnity

On or before the closing of a purchase and sale held pursuant to this Article VII, the Non-Defaulting Member shall use such Member's reasonable and good faith efforts to obtain written releases of the Defaulting Member and the Defaulting Member's Affiliates from all liabilities under all Recourse Documents and Nonrecourse Documents and all other liabilities of the Company for which the Defaulting Member and/or its Affiliates may have personal liability, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer (as such terms are defined in Section 10.02(a) below) of such Defaulting Member or any Affiliate thereof. To the extent the Non-Defaulting Member is unable to obtain such releases on or before the closing, the Non-Defaulting Member and an Affiliate of the Non-Defaulting Member with a net worth reasonably acceptable to the Defaulting Member shall jointly and severally indemnify, defend and hold the Defaulting Member and its Affiliates wholly harmless from and against all such liabilities and guaranties, except to the extent such liabilities arise out of any Bad Acts or Prohibited Transfer of

the Defaulting Member or any Affiliate thereof. For purposes of clarification, the release, indemnity and related provisions set forth above in this Section 7.10 shall not apply to any Losses which are incurred by the Defaulting Member or its Affiliates to the extent such liabilities arise under an Affiliate Agreement.

7.11 Withdrawal of the Defaulting Member

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

7.12 Distribution of Reserves

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

ARTICLE VIII
ELECTIVE BUY/SELL AGREEMENT

8.01 Buy/Sell Election

Either Member that is not a Defaulting Member (the "**Electing Member**") shall have the right, but not the obligation, at any time after the Lockout Date or an Impasse Event to elect to implement the buy/sell procedures set forth in this Article VIII by delivering written notice of such election ("**Election Notice**") to the other Member (the "**Non-Electing Member**"). The term "**Lockout Date**" means the earlier of (i) six (6) months after the Project Stabilization Date, or (ii) three (3) years after the Effective Date. The Election Notice shall set forth a stated value (the "**Stated Value**"), as determined in the sole and absolute discretion of the Electing Member, for all of the assets of the Company. For purposes of this Article VIII, a Member shall not be deemed to be a Defaulting Member after the expiration of the sixty (60)-day or ninety (90)-day period, as the case may be, set forth in Section 7.02.

8.02 Determination of the Purchase Price

Within ten (10) Business Days following the effective date of any Election Notice (or as soon as reasonably possible thereafter), the Accounting Firm shall determine the aggregate amount of cash which would be distributed to each Member if (i) the assets of the Company were sold for their Stated Value as of the effective date of the Election Notice; (ii) the known non-contingent

liabilities of the Company (exclusive of any prepayment penalties payable with respect to any Loan obtained by the Company) were liquidated pursuant to Section 12.02(a); (iii) a reserve was not established for any contingent, conditional or unmatured liabilities or obligations of the Company pursuant to Section 12.02(b); and (iv) any remaining amounts were distributed to the Members in accordance with the provisions of Section 12.02(c). Upon such determination, the Accounting Firm shall give each Member written notice ("**Price Determination Notice**") thereof. The determination by the Accounting Firm of such amounts including all components thereof, shall be deemed conclusive on all of the Members, absent any material computational error. One hundred percent (100%) of the amount that would be distributed to each Member pursuant to Section 12.02(c) shall be deemed the purchase price ("**Purchase Price**") for such Member's Interest for purposes of this Article VIII; subject, however, to adjustment for any Default Loans described in Section 8.08.

8.03 Non-Electing Member's Option

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

8.04 Deposit

WITHIN FIVE (5) BUSINESS DAYS AFTER THE EXPIRATION OF THE THIRTY (30)-DAY OPTION PERIOD SET FORTH IN SECTION 8.03, THE BUYING MEMBER SHALL DEPOSIT INTO AN ESCROW ACCOUNT ESTABLISHED BY THE BUYING MEMBER WITH A NATIONALLY RECOGNIZED TITLE COMPANY, A DEPOSIT (THE "**DEPOSIT**") BY A WIRE TRANSFER OF IMMEDIATELY AVAILABLE FEDERAL FUNDS IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE PURCHASE PRICE, WHICH SHALL BE NON-REFUNDABLE TO THE BUYING MEMBER IF THE CLOSING OF THE SALE FAILS TO OCCUR AS A RESULT OF THE BUYING MEMBER'S DEFAULT. UPON THE CLOSING OF THE SALE, THE DEPOSIT SHALL BE A CREDIT AGAINST THE PURCHASE PRICE. SUBJECT TO SECTION 8.10, IF THE SALE FAILS TO OCCUR DUE TO THE BUYING MEMBER'S DEFAULT, THEN THE SELLING MEMBER SHALL RETAIN THE DEPOSIT OF THE BUYING MEMBER AS LIQUIDATED DAMAGES, AS ITS SOLE AND EXCLUSIVE REMEDY AT LAW IN CONNECTION WITH SUCH DEFAULT. THE MEMBERS ACKNOWLEDGE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH THE SELLING MEMBER MAY SUFFER IN CONNECTION WITH A DEFAULT BY THE BUYING MEMBER UNDER THIS ARTICLE VIII. THEREFORE, SUBJECT TO SECTION 8.10, THE MEMBERS HAVE AGREED THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT THE SELLING MEMBER WOULD SUFFER IN SUCH EVENT IS AND SHALL BE THE RIGHT OF THE SELLING MEMBER TO RETAIN THE DEPOSIT AS LIQUIDATED

DAMAGES, AS ITS SOLE AND EXCLUSIVE REMEDY AT LAW UNDER THIS ARTICLE VIII. THE MEMBERS EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE RETENTION OF THE DEPOSIT IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF DELAWARE LAW (OR CALIFORNIA CIVIL CODE SECTION 3375 OR 3369 OR UNDER ANY OTHER STATE LAWS TO THE EXTENT DELAWARE LAW DOES NOT APPLY), BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE SELLING MEMBER PURSUANT TO DELAWARE LAW (OR CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677 OR UNDER ANY OTHER STATE LAWS TO THE EXTENT DELAWARE LAW DOES NOT APPLY). NOTHING CONTAINED HEREIN SHALL LIMIT OR OTHERWISE AFFECT ANY RIGHTS THE SELLING MEMBER MAY HAVE TO OBTAIN SPECIFIC PERFORMANCE AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OTHER EQUITABLE REMEDIES. THE MEMBERS ACKNOWLEDGE THAT THEY HAVE BEEN ADVISED BY THEIR COUNSEL WITH RESPECT TO THE FOREGOING PROVISIONS OF THIS SECTION 8.04 AND BY THEIR INITIALS SET FORTH BELOW INDICATE THAT THE FOREGOING REMEDIES ARE FAIR AND REASONABLE AND AGREE AND COVENANT NOT TO CONTEST THE VALIDITY OF SUCH REMEDY AS A PENALTY, FORFEITURE OR OTHERWISE IN ANY COURT OF LAW (AND/OR IN ANY ARBITRATION PROCEEDING).

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8.05 Closing Adjustments

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

8.06 Closing of Purchase and Sale

The closing of a purchase and sale held pursuant to this Article VIII shall be held at the principal office of the Company on a Business Day designated by the buying Member within sixty (60) days following the earlier of (i) the effective date upon which the Non-Electing Member has delivered the Purchase Notice pursuant to Section 8.03, or (ii) the expiration of the thirty (30)-day option period set forth in Section 8.03. The selling Member shall transfer to the buying Member (or the buying Member's nominee(s)) the entire Interest of the selling Member free and clear of all liens, security interests, and competing claims and shall deliver to the buying Member (or the buying Member's nominee(s)) such instruments of transfer and such evidence of due authorization, execution, and delivery, and of the absence of any such liens, security interests, or competing

claims, as the buying Member (or the buying Member's nominee(s)) shall reasonably request. The Purchase Price for the selling Member's Interest shall be paid by the buying Member by delivering at the closing of a confirmed wire transfer of readily available funds or one (1) or more certified or bank cashier's checks made payable to the selling Member in an amount equal to the Purchase Price, less the amount of the Deposit paid by the buying Member pursuant to Section 8.04 above (which shall be released to the selling Member at the closing). Effective as of the closing for the purchase of the selling Member's Interest, the selling Member shall withdraw as a member of the Company. In connection with any such withdrawal, the buying Member may cause any nominee designated in the sole and absolute discretion of such Member to be admitted as a substituted member of the Company. Notwithstanding the foregoing, any indemnity of the selling Member and its Affiliates provided for under this Agreement including, without limitation, under Section 10.02(b) shall survive the sale of the Interest of the selling Member and its withdrawal as a member of the Company.

8.07 Representations and Warranties

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

8.08 Repayment of Default Loans

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

8.09 Release and Indemnity

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

8.10 Interim Event of Default

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

8.11 Application of Provisions

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

ARTICLE IX
REPRESENTATIONS, WARRANTIES, COVENANTS AND OTHER MATTERS

9.01 Tejon Representations

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

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

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

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

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

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

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

(g) No Member Obligations. Tejon has not incurred any other obligations or liabilities (excluding any obligations or liabilities related to the Property) which could individually or in the aggregate adversely affect Tejon's ability to perform its obligations

under this Agreement or which would become obligations or liabilities of Majestic or the Company;

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

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

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

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

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

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

9.02 Majestic Representations

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

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

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

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

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

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

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

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

(h) Anti-Terrorism. Neither Majestic, nor any of its Affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers or directors, is, nor will they become, a Person with whom U.S. Persons are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any

statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such Persons;

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

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

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

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

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

9.03 Brokerage Fee Representation and Indemnity

Each Member hereby represents that such Member has not retained any broker, finder, agent or the like in connection with this Agreement or the transactions contemplated herein. Each Member hereby agrees to indemnify, defend and hold the other Member wholly harmless from and against all Losses arising out of any claim for brokerage or other commissions relative to this Agreement, or the transactions contemplated herein insofar as any such claim arises by reason of services alleged to have been rendered to or at the insistence of such indemnifying Member or any Affiliate thereof. No Member shall receive any credit to its Capital Account or Unreturned Contribution Account or otherwise be reimbursed by the Company for any amounts paid by such Member pursuant to this Section 9.03.

9.04 Investment Representations

Each Member agrees as follows with respect to investment representations:

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

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

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

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

(b) Acquisition for Own Account. Each Member hereby represents to the Company that such Member is acquiring its Interest in the Company for such Member's own account, for investment and not with a view to resale or distribution.

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

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

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

(f) Due Investigation. Before acquiring any Interest in the Company, each Member has investigated the Company and its business and the Company has made

available to each Member all information necessary for the Member to make an informed decision to acquire an Interest in the Company. Each Member considers itself to be a Person possessing experience and sophistication as an investor adequate for the evaluation of the merits and risks of the Member's investment in the Company.

9.05 Indemnification Obligations

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

9.06 Survival of Representations, Warranties and Covenants

Each Member understands the meaning and consequences of the representations, warranties and covenants made by such Member set forth in this Article IX and that the Company and the other Member have relied upon such representations, warranties and covenants. All representations, warranties and covenants contained in this Article IX shall survive the execution of this Agreement, the formation of the Company, the withdrawal of any Member as a member of the Company and the Liquidation of the Company.

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

10.01 Liability for Company Claims

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

10.02 Exculpation, Indemnity and Reliance on Information

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

(a) Limitation on Covered Person Liability. No authorized person, Member or Officer of the Company, or, if designated by the Executive Committee, any Affiliate or any direct or indirect members, partners, shareholders, directors, officers, managers, trustees or employees of any Member (collectively, the "**Covered Persons**") shall be liable or accountable in damages or otherwise to the Company or to any Member for any error of

judgment or any mistake of fact or law or for anything that such Covered Person may do or refrain from doing hereafter, except to the extent caused by any Bad Acts or Prohibited Transfer of such Covered Person or any Affiliate thereof. As used herein, the term "**Bad Acts**" means (i) gross negligence, fraud or willful misconduct, (ii) any act or omission outside the scope of authority granted under this Agreement resulting in damages or liability to a Covered Person, (iii) any breach of this Agreement, and (iv) any action willingly taken by any Guarantor under any Recourse Document for the Project or Non-Recourse Document for the Project without the prior written consent of both Members, which creates liability under any such Recourse Document or Non-Recourse Document. The term "**Prohibited Transfer**" means any transfer of a direct or indirect ownership in the Company (including, without limitation, any transfer of a direct or indirect ownership interest in any Member) that results in a Lender declaring a default or breach of or under any of the loan documents evidencing any Loan obtained by the Company. For purposes of this Agreement, the Bad Act or Prohibited Transfer of any Affiliate or employee of any Person will also be deemed to be the Bad Act or Prohibited Transfer of such Person. The foregoing is subject to any applicable cure period provided under this Agreement.

(b) Indemnity. To the maximum extent permitted by applicable law as it presently exists or may hereafter be amended, the Company hereby agrees to indemnify, defend (with counsel selected by the Executive Committee), protect and hold harmless, each Covered Person, from and against any and all Losses incurred by such Covered Person by reason of anything which such Covered Person may do or refrain from doing that arises out of or relates to the Company to the extent such Losses are not covered by insurance maintained by or for the benefit of such Covered Person. The foregoing obligation of the Company to indemnify, protect, defend and hold harmless each Covered Person shall extend to any Losses incurred by any Guarantor under any Recourse Document or Nonrecourse Document (or as a result of the rights of contribution described in Section 3.05). Notwithstanding the foregoing terms of this Section 10.02(b), no Covered Person (including any Guarantor) shall be entitled to be indemnified by the Company to the extent any such Losses are incurred by such Covered Person by reason of, or in connection with, any Bad Acts or Prohibited Transfer of such Covered Person. For the avoidance of doubt, in no event will the indemnity obligation of the Company extend to any Losses that may be incurred or that may arise under an Affiliate Agreement.

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

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

(c) Reliance upon Information, Opinions, Reports, etc. A Covered Person shall be fully protected in relying in good faith upon the records of the Company, any information received by any Member or the Company with respect to the Project (financial or otherwise), and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence including, without limitation, information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or cash flow or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

10.03 Limitation on Liability

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

10.04 Activities of the Members and Their Affiliates

Subject to the terms hereof, each Member and their respective direct and indirect Affiliates, members, partners, shareholders, directors, managers, officers, employees, agents and trustees shall only be required to devote so much of their time to the business and affairs of the Company as is determined in the reasonable discretion of each such party. Neither Member nor any of its direct and indirect Affiliates, members, partners, shareholders, directors, officers, managers, employees, agents or trustees shall be prohibited from engaging in other businesses whether or not similar to the business of the Company.

10.05 Intentionally Omitted

10.06 Fiduciary Duties

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

(a) Other Activities. Except as otherwise provided by this Agreement, to the maximum extent allowed by law, neither Member shall have any obligations (fiduciary or otherwise) with respect to the Company or to the other Member insofar as making other investment opportunities available to the Company or to the other Member. Except as otherwise provided in this Agreement, each Member may engage in whatever activities such Member may choose, whether the same are competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company or to the other Member. Without limiting the generality of the foregoing, each Member shall have the right, in its sole and absolute discretion, to lease, encumber, develop, joint venture, sell, transfer and otherwise realize the economic benefit from any real property now or hereafter owned by such Member (or any Affiliate thereof) regardless of whether such transaction may compete with the business of the Company without any participation or other rights in favor of the Company, the other Member or any other Person. Neither this Agreement nor any activities undertaken pursuant hereto shall prevent either Member from engaging in such activities, and to the maximum extent allowed by law, the fiduciary duties of the Members to each other and to the Company shall be limited solely to those arising from the business of the Company.

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

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

10.07 Non-Exclusivity of Rights

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

10.08 Amendment or Repeal

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

10.09 Insurance

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

ARTICLE XI
BOOKS AND RECORDS

11.01 Books of Account and Bank Accounts

The taxable year of the Company shall be the year ending December 31. The Administrative Member shall maintain accurate and complete books of account and records showing the assets and liabilities, operations, transactions and financial condition of the Company on an accrual basis in accordance with Generally Accepted Accounting Principles, consistently applied. The Administrative Member shall also provide to the other Member within fifteen (15) days after the end of each calendar month (i) an unaudited monthly net cash flow statement setting forth the calculation of net cash flow and all disbursements of cash by the Company, and (ii) an unaudited statement of continuing operations for the Company, including a balance sheet for the Company, as of the end of the month, and a profit and loss statement for the month. The Administrative Member shall also provide to the other Member within fifteen (15) days after the end of each calendar quarter a detailed description of any material deviations from the Approved Business Plan during the preceding calendar quarter. Promptly after written request by the other Member, the Administrative Member shall deliver such other information as is reasonably requested by the other Member. The Administrative Member shall also provide on an annual basis within thirty (30) calendar days after each calendar year annual unaudited statements of the operations of the Company including (A) statement of net assets (balance sheet); (B) statement of operations; (C) statement of cash flows; and (D) statement of changes in Members' capital. The annual financial reports shall be delivered together with a written statement by the Administrative Member that includes (1) a representation by the Administrative Member that such annual statements fairly represent the financial condition of the Company, and (2) a representation by the Administrative Member that such financial statements have been prepared in accordance Generally Accepted Accounting Principles, consistently applied.

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

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

11.02 Tax Returns

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

The Administrative Member is hereby designated as the "partnership representative" of the Company within the meaning of Section 6223(a) of the Code, as amended by Title XI of the Bipartisan Budget Act of 2015. Following any resignation or removal of Majestic as the Administrative Member of the Company, Tejon shall be the "partnership representative" of the Company. The Administrative Member (or Tejon if it has replaced Majestic as the "partnership representative" of the Company) is specifically directed and authorized to (x) to take whatever steps may be necessary or desirable to perfect its designation as "partnership representative," including filing any forms or documents with the IRS, and (y) to take such other action as may

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

ARTICLE XII
DISSOLUTION AND WINDING UP OF THE COMPANY

12.01 Events Causing Dissolution of the Company

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

(a) Failure to Deliver Initial Annual Business Plan. The election of Tejon to dissolve the Company if Majestic does not deliver the annual business plan for the first Business Plan Period for any reason to the Executive Committee pursuant to Section 2.07 on or before the ABP Outside Date (provided such election is made prior to the date (if any) that the Executive Committee approves the initial annual business plan for the Company);

(b) Failure to Approve Initial Business Plan. The election of either Member to dissolve the Company if the Executive Committee for any reason does not approve the annual business plan for the first Business Plan Period in its sole and absolute discretion within five (5) days following the submission of such plan to the Executive Committee pursuant to Section 2.07 (provided such election is made prior to the date (if any) that the Executive Committee approves the initial annual business plan for the Company);

(c) Failure to Timely Close Construction Loan. The election of either Member to dissolve the Company if the Company does not close the Construction Loan within ten (10) days following the approval of the annual business plan for the first Business Plan Period by the Executive Committee pursuant to Section 2.07 (provided such election is made prior to the date (if any) that the Company closes the Construction Loan);

(d) Sale of Assets. The sale, transfer or other disposition by the Company of all or substantially all of its assets and the collection by the Company of all consideration

received in such transaction (including, without limitation, the collection of any promissory note received by the Company);

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

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

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

12.02 Winding Up of the Company

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

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

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

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

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

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

necessary to cause such allocations to be in compliance with Code Section 704(b) and the Treasury Regulations promulgated thereunder.

12.03 Distribution of Assets Upon Early Dissolution Event

Following the effective date of any notice delivered to dissolve the Company pursuant to Section 12.01(a), Section 12.01(b) or Section 12.01(c), (i) Tejon shall not have any duty or obligation to convey (or cause to be conveyed) the Property (or any portion thereof) or any rights related thereto to the Company, and (ii) neither the Company nor Majestic shall have any rights to participate in, or otherwise realize any economic benefit from, the Property (or any rights related thereto). Following any dissolution pursuant to Section 12.01(a), Section 12.01(b) or Section 12.01(c), each of the Company and Majestic shall transfer, convey and assign (to the extent assignable) to Tejon at its written request all or any part of the Work Product owned by the Company or Majestic that in any way relates to or benefits the Property. Tejon shall reimburse the Company and Majestic for all costs and expenses reimbursed or paid for by the Company or Majestic for any portion of the Work Product that is transferred, conveyed and assigned by such party to Tejon at its request pursuant to this Section 12.03 (and the distribution of such Work Product to Tejon shall not reduce its Capital Account or Unreturned Contribution Account). Any such transfer, conveyance and assignment of any portion of the Work Product to Tejon shall be made by the Company and Majestic on an "AS-IS" basis without any representation or warranty whatsoever from the Company, Majestic and/or any Affiliate thereof. Any amounts contributed by Tejon pursuant to this Section 12.03 shall be distributed to the Members in accordance with the terms of Section 5.01.

12.04 Negative Capital Account Restoration

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

ARTICLE XIII
MISCELLANEOUS

13.01 Amendments

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

13.02 Waiver of Conflict Interest

EACH MEMBER HEREBY ACKNOWLEDGES AND AGREES THAT, IN CONNECTION WITH THE DRAFTING, PREPARATION AND NEGOTIATION OF THIS AGREEMENT AND THE CONTRIBUTION AGREEMENT, THE FORMATION OF THE COMPANY AND ALL OTHER MATTERS RELATED THERETO, (I) ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP HAS ONLY REPRESENTED THE INTERESTS OF TEJON, AND NOT THE INTERESTS OF MAJESTIC, THE COMPANY OR ANY OTHER PARTY, AND (II) SNELL & WILMER LLP HAS ONLY REPRESENTED THE INTERESTS

OF MAJESTIC AND NOT THE INTERESTS OF TEJON, THE COMPANY OR ANY OTHER PARTY. THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR ANY MEMBER MAY ALSO PERFORM SERVICES FOR THE COMPANY. TO THE EXTENT THAT THE FOREGOING REPRESENTATION CONSTITUTES A CONFLICT OF INTEREST, THE COMPANY AND EACH MEMBER HEREBY EXPRESSLY WAIVES ANY SUCH CONFLICT OF INTEREST. EACH MEMBER FURTHER ACKNOWLEDGES THAT THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR THE COMPANY SHALL NOT BE DEEMED BY VIRTUE OF SUCH REPRESENTATION TO HAVE ALSO REPRESENTED ANY OTHER PARTY IN CONNECTION WITH ANY SUCH MATTERS.

13.03 Partnership Intended Solely for Tax Purposes

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

13.04 Notices

All notices or other communications required or permitted hereunder shall be in writing, and shall be delivered or sent, as the case may be, by any of the following methods: (i) personal delivery, (ii) overnight commercial carrier, (iii) registered or certified mail, postage prepaid, return receipt requested, or (iv) facsimile or email. Any such notice or other communication shall be deemed received and effective upon the earlier of (A) if personally delivered, the date of delivery to the address of the Person to receive such notice; (B) if delivered by overnight commercial carrier, one (1) day following the receipt of such communication by such carrier from the sender, as shown on the sender's delivery invoice from such carrier; (C) if mailed, on the date of delivery as shown by the sender's registry or certification receipt; or (D) if given by facsimile or email, when sent if received by the intended recipient of such facsimile or email prior to 5:00 p.m. on a Business Day or on the next Business Day if not received by the recipient of such facsimile prior to 5:00 p.m. on a Business Day. Any notice or other communication sent by facsimile or email must be confirmed within two (2) Business Days by letter mailed or delivered in accordance with the foregoing to be effective. Any reference herein to the date of receipt, delivery, or giving or effective date, as the case may be, of any notice or communication shall refer to the date such communication becomes effective under the terms of this Section 13.04. Any such notice or other communication so delivered shall be addressed to the party to be served at the address for such party set forth in Section 1.02. The address for either Member may be changed by giving written notice to the other Member in the manner set forth in this Section 13.04. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice or other communication sent.

13.05 Construction of Agreement

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

13.06 Counterparts

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

13.07 Attorneys' Fees

If any lawsuit, arbitration, mediation or other proceeding is commenced by any Member against any other Member that arises out of, or relates to, this Agreement, then the prevailing Member in such action shall be entitled to recover reasonable attorneys' fees and costs. Any judgment or order entered in any such action shall contain a specific provision providing for the recovery of all costs and expenses of suit including, without limitation, reasonable attorneys' and expert witness fees, costs and expenses incurred in connection with (i) enforcing, perfecting and executing such judgment; (ii) post-judgment motions; (iii) contempt proceedings; (iv) garnishment, levy, and debtor and third-party examinations; (v) discovery; and (vi) bankruptcy litigation.

13.08 Approval Standard

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

13.09 Further Acts

Each Member covenants, on behalf of such Member and such Member's successors and assigns, to execute, with acknowledgment, verification, or affidavit, if required, any and all documents and writings, and to perform any and all other acts, that may be reasonably necessary

or desirable to implement, accomplish, and/or consummate the formation of the Company, the achievement of the Company's purposes, and any other matter contemplated under this Agreement.

13.10 Preservation of Intent

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

13.11 Waiver

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

13.12 Entire Agreement

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

13.13 Choice of Law

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

13.14 No Third-Party Beneficiaries

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

other payments to the Company as set forth in this Agreement, or (ii) to demand that the Company, the Administrative Member or the other Member obtain financing or issue any capital call.

13.15 Successors and Assigns

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

13.16 No Usury

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

13.17 Venue

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

13.18 Dispute Resolution

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

(a) Binding Arbitration. Any Member desiring to bring any action under this Agreement or the Contribution Agreement shall give written notice to the other Member (the "**Arbitration Notice**"), which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by Section and title, if applicable, of the provisions of this Agreement or the Contribution Agreement pertaining to the dispute. This arbitration provision and its validity, construction, and performance shall be governed by the Federal Arbitration Act (the "**FAA**") and cases decided thereunder and, to the extent relevant, the laws of the State of California. Further, the terms and

procedures governing the enforcement of this Section 13.18 shall be governed by and construed and enforced in accordance with the FAA, and not individual state laws regarding enforcement of arbitration agreements.

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

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

(d) Resolution Dispute. Except as otherwise provided in Section 13.18(c), the arbitrator shall apply Delaware law in resolving the dispute. In resolving the dispute, the arbitrator shall apply the pertinent provisions of this Agreement without departure therefrom in any respect, and the arbitrator shall not have the power to change any of the provisions of the Agreement. The arbitrator shall try all of the issues including, without limitation, any issues that may be raised concerning whether the dispute is subject to the

provisions of this Section 13.18 and any and all other issues, whether of fact or of law, and shall hear and decide all motions and matters of any kind. The arbitrator shall not be required to prepare a written statement of decision as to any interlocutory decision, but at the conclusion of the arbitration shall prepare a written statement of decision thereon which shall be final and binding upon the parties, and upon which judgment may be entered in accordance with applicable law in any court having jurisdiction thereof. Any interlocutory decisions by the arbitrator likewise shall be final and binding, except that the arbitrator shall have the power to reconsider such decisions for good cause shown. The Members shall not have the right to appeal the arbitration award consistent with the JAMS Optional Arbitration Appeal Procedure in effect at the time or any similar successor rules. Subject to the limitations in this Section 13.18, the arbitrator shall have the authority to grant any equitable and legal remedies that would be available in a judicial proceeding. The arbitrator may award interim and final injunctive relief and other remedies, but may not award punitive, exemplary, treble or other enhanced damages. The arbitrator shall have no power or authority to issue any award or determination that would amend or modify this Agreement. Notwithstanding the foregoing, a party shall be permitted to seek a temporary restraining order or injunctive relief in a court of competent jurisdiction with regard to any controversy, dispute or claim between them relating to or arising out of this Agreement, a breach of this Agreement or the termination of the Administrative Member, where such relief is appropriate; provided that other relief shall be pursued through an arbitration proceeding pursuant to this Section 13.18. Each Member shall use reasonable efforts to expedite the arbitration process, and each Member shall have the right to be represented by counsel.

(e) Award of Fees. Subject to the obligation of the arbitrator to award such fees and expenses to the prevailing party as provided in Section 13.07, until the arbitrator issues his or her final statement of decision, each Member shall pay the fees and expenses of its attorneys and experts in connection with the adjudication and one-half of the fees and expenses of the arbitrator; provided, however, that the arbitrator shall have the same power as a judge pursuant to the California Code of Civil Procedure to award sanctions with reference to interlocutory matters. Subject to Section 13.07, the Member shall bear an equal (pro rata) share of any arbitration costs, including any administrative or hearing fees charged by the arbitrator or JAMS.

(f) Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MEMBER HEREBY WAIVES EACH SUCH MEMBER'S RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) BASED UPON OR ARISING OUT OF OR RELATED TO THE COMPANY, THIS AGREEMENT, THE CONTRIBUTION AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING, OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY MEMBER AGAINST THE OTHER MEMBER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH MEMBER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY AN ARBITRATOR AS PROVIDED ABOVE BUT THIS WAIVER SHALL BE EFFECTIVE EVEN IF, FOR ANY REASON WHATSOEVER, SUCH CLAIM OR CAUSE OF ACTION CANNOT BE TRIED BY

SUCH ARBITRATOR. WITHOUT LIMITING THE FOREGOING, EACH MEMBER FURTHER AGREES THAT EACH SUCH MEMBER'S RIGHT TO A TRIAL BY JURY IS WAIVED TO THE MAXIMUM EXTENT ALLOWED BY LAW BY OPERATION OF THE FOREGOING AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE CONTRIBUTION AGREEMENT OR ANY PROVISION OF EITHER SUCH AGREEMENT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS AGREEMENT AND/OR THE CONTRIBUTION AGREEMENT.

_____	_____
INITIALS OF TEJON	INITIALS OF MAJESTIC

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

13.19 Timing

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

13.20 Remedies for Breach of this Agreement

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

13.21 Survivability of Representations and Warranties

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

13.22 Reasonableness of Rights and Remedies

THE RIGHTS AND REMEDIES SET FORTH IN THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, SECTION 3.03 AND ARTICLES VI AND VII) ARE A MATERIAL INDUCEMENT FOR EACH MEMBER TO ENTER INTO THIS AGREEMENT, AND THE MEMBERS WOULD NOT HAVE AGREED TO ENTER INTO THIS AGREEMENT BUT FOR THE AGREEMENT OF EACH MEMBER TO BE BOUND BY SUCH REMEDIES. EACH MEMBER ACKNOWLEDGES AND AGREES THAT THE FOREGOING REMEDIES ARE FAIR AND REASONABLE AND HAVE BEEN ENTERED INTO WITH THE INFORMED CONSENT OF EACH MEMBER. EACH MEMBER FURTHER ACKNOWLEDGES AND AGREES THAT IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO

ESTIMATE THE DAMAGES WHICH THE COMPANY AND THE NON-DEFAULTING MEMBER MAY SUFFER IN CONNECTION WITH THE OCCURRENCE OF ANY OF THE DEFAULTS DESCRIBED ABOVE. THEREFORE, EACH MEMBER AGREES THAT THE REMEDIES SET FORTH ABOVE REASONABLY AND FAIRLY REFLECT THE DETRIMENT THAT THE COMPANY AND THE NON-DEFAULTING MEMBER WOULD SUFFER IN SUCH EVENT AND, IN LIGHT OF THE DIFFICULTY IN DETERMINING ACTUAL DAMAGES, REPRESENT A PRIOR AGREEMENT AMONG THE MEMBERS AS TO APPROPRIATE LIQUIDATED DAMAGES. EACH MEMBER ALSO AGREES THAT THE REMEDIES SET FORTH ABOVE ARE NOT INTENDED AS A FORFEITURE OR PENALTY UNDER DELAWARE OR ANY OTHER APPLICABLE STATE LAW. EACH MEMBER FURTHER COVENANTS NOT TO CONTEST THE VALIDITY OF THE REMEDIES SET FORTH ABOVE AS A PENALTY, FORFEITURE OR OTHERWISE IN ANY COURT OF LAW (AND/OR IN ANY ARBITRATION OR MEDIATION).

13.23 Force Majeure

The time period for each Member to perform any obligation under this Agreement shall be extended for the time period such Member (the "**Obligated Member**") is unable to perform such obligation as a result of any Force Majeure Delay. The term "**Force Majeure Delay**" means any delay as a result of war, national emergency, strikes (other than strikes or labor disturbances limited in scope to primarily the employees of the Obligated Member or any Affiliate thereof), riot or civil unrest, utility failure, acts of God (excluding inclement weather) or other events totally outside the control of the Obligated Member or any Affiliate thereof. Notwithstanding the foregoing, no Force Majeure Delay shall be deemed to exist as a result of (i) the Obligated Member's lack of funds (other than a temporary lack of funds resulting from any event totally outside the control of the Obligated Member described in the preceding sentence), or (ii) any delay solely caused by any act or omission of the Obligated Member or any Affiliate thereof, and in any event, the length of any Force Majeure Delay shall be reduced by (A) the time period that elapses after the tenth Business Day following the initial cause of the delay through the date the Obligated Member notifies the other Member in writing of the delay and the reason for the delay (if the Obligated Member has previously failed to provide such notice to the other Member on or before the tenth Business Day following the initial cause of the delay), or (B) the length of any delay caused by the Obligated Member's failure to promptly exercise and continue to exercise reasonable commercial efforts to remove or overcome such delay. All other delays from acts or events are explicitly excluded from Force Majeure Delays and shall not extend the time period for any Member to perform any of its obligations under this Agreement.

ARTICLE XIV
DEFINITIONS

14.01 ABP Outside Date

14.02 The term "**ABP Outside Date**" is defined in Section 2.07.

14.03 Accountant's Notice

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

14.04 Accounting Firm

The term "**Accounting Firm**" means Ernst & Young or such other accounting firm as selected by the Executive Committee.

14.05 Actual Knowledge of Majestic

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

14.06 Actual Knowledge of Tejon

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

14.07 Additional Contribution Date

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

14.08 Adjusted Accountant's Notice

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

14.09 Adjusted Capital Account

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

14.10 Adjusted Price Determination Notice

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

14.11 Adjustment Amount

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

14.12 Administrative Member

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

14.13 Affiliate

The term "**Affiliate**" means any Person which, directly or indirectly through one (1) or more intermediaries, controls or is controlled by or is under common control with another Person. The term "control" as used herein (including the terms "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to (i) vote more than

fifty percent (50%) of the outstanding voting securities of such Person, or (ii) otherwise direct management policies of such Person by contract or otherwise.

14.14 Affiliate Agreements

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

14.15 Affiliated Member

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

14.16 Affiliated Parties

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

14.17 Agreed Value

The term "**Agreed Value**" is defined in Section 3.01(b)(i).

14.18 Agreement

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

14.19 Applicable ABP Date

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

14.20 Applicable Construction Costs

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

14.21 Appraised Value

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

14.22 Approved Business Plan

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

14.23 Arbitration Notice

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

14.24 Bad Acts

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

14.25 Book Basis

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

14.26 Business Day

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

14.27 Business Plan Period

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

14.28 California Act

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

14.29 Capital Account

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

Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations.

14.30 Capital Call Notice

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

14.31 Cash Flow

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

14.32 Certificates

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

14.33 Code

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

14.34 Commerce

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

14.35 Company

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

14.36 Construction Contract

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

14.37 Construction Contract Condition

The term "**Construction Contract Condition**" is defined in Section 2.07.

14.38 Construction Loan

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

14.39 Consultants

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

14.40 Contributing Member

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

14.41 Contributing Party

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

14.42 Contribution Agreement

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

14.43 Covered Persons

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

14.44 Default Events

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

14.45 Default Loan

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

14.46 Default Notice

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

14.47 Defaulting Member

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

14.48 Defaulting Member's Purchase Price

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

14.49 Delaware Act

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

14.50 Delinquent Contribution

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

14.51 Deposit

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

14.52 Development Budget

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

14.53 Development Fee

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

14.54 Development Plan

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

14.55 Dilution Percentage

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

14.56 Effective Date

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

14.57 Electing Member

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

14.58 Election Notice

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

14.59 Enforceability Exceptions

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

14.60 Executive Committee

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

14.61 FAA

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

14.62 Financing Fee

The term "**Financing Fee**" is defined in Section 2.15.

14.63 Fiscal Year

The term "**Fiscal Year**" means the twelve (12)-month period ending December 31 of each year; provided that the initial Fiscal Year shall be the period beginning on the Effective Date and ending on December 31, 2022, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed. To the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Fiscal Years to reflect that such periods are less than full calendar year periods.

14.64 Force Majeure Delay

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

14.65 Gross Asset Value

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

14.66 Guarantor(s)

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

14.67 Hypothetical Distribution

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

14.68 Impasse Event

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

14.69 Improvements

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

14.70 Interest

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

14.71 JAMS

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

14.72 Just Cause Event

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

14.73 Lender(s)

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

14.74 Liquidation

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

14.75 Loans

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

14.76 Lockout Date

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

14.77 Losses

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

14.78 Lyda

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

14.79 Majestic

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

14.80 Majestic Group

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

14.81 Majestic Work Product

The term "**Majestic Work Product**" is defined in Section 3.01(c)(ii).

14.82 Major Decisions

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

14.83 Marketing Plan

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

14.84 Master Developer Work

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

14.85 McMahon

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

14.86 Member(s)

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

14.87 MRC

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

14.88 Net Profits and Net Losses

The terms "**Net Profits**" and "**Net Losses**" mean, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss, as the case may be, for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss); provided, however, for purposes of computing such taxable income or loss, (i) such taxable income or loss shall be adjusted by any and all adjustments

required to be made in order to maintain Capital Account balances in compliance with Treasury Regulation Sections 1.704-1(b), and (ii) any and all items of gross income, gain, loss and/or deductions, including, without limitation, any and all partnership and/or partner "nonrecourse deductions" specially allocated to any Member pursuant to Sections 4.03 and 4.04 shall not be taken into account in calculating such taxable income or loss.

14.89 Non-Contributing Member

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

14.90 Non-Contributing Party

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

14.91 Non-Defaulting Member

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

14.92 Non-Electing Member

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

14.93 Nonrecourse Documents

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

14.94 Nonrecourse Parties

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

14.95 Obligated Member

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

14.96 OFAC

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

14.97 Officers

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

14.98 Operating Budget

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

14.99 Partially Adjusted Capital Account

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

14.100 Percentage Interest

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

14.101 Permanent Loan

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

14.102 Permitted Transferees

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

14.103 Person

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

14.104 Phase(s)

The terms "**Phase**" and "**Phases**" are defined in Section 1.03.

14.105 Pre-Development Budget

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

14.106 Price Determination Notice

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

14.107 Pro Rata Share

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

14.108 Prohibited Transfer

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

14.109 Project

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

14.110 Project Stabilization Date

The term "**Project Stabilization Date**" means the first date that at least ninety percent (90%) of the apartment units contained in the Project have been leased by the Company.

14.111 Property

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

14.112 Property Manager

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

14.113 Purchase Notice

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

14.114 Purchase Price

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

14.115 Quorum

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

14.116 Real Estate Assets

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

14.117 Recourse Documents

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

14.118 Regulatory Allocations

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

14.119 Removal Notice

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

14.120 Representative(s)

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

14.121 Response Period

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

14.122 Roski

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

14.123 Roski Family

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

14.124 Rules

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

14.125 Securities Acts

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

14.126 Shortfall

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

14.127 Stated Value

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

14.128 Substantial Completion Date

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

14.129 Supervision Fee

The term "**Supervision Fee**" is defined in Section 2.14.

14.130 Target Capital Account

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

Section 1.704-2(i)(5), all computed immediately prior to the hypothetical sale described in the definition of "Hypothetical Distribution."

14.131 Tejon

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

14.132 Tejon Group

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

14.133 Tejon Work Product

The term "**Tejon Work Product**" is defined in Section 3.01(b)(ii).

14.134 Transfer

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

14.135 Treasury Regulation

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

14.136 Unreturned Contribution Account

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

[SIGNATURES ON NEXT PAGE]

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

"Tejon"

TEJON INDUSTRIAL CORP.,
a California corporation

By: _____
Name: ALLEN D. LYNCH
Its: COO

By: _____
Name: HUGH F. McMAHON IV
Its: EVP REAL ESTATE

"Majestic"

MAJESTIC TEJON MULTI I, LLC,
a Delaware limited liability company

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

By: _____
Name: _____
Its: EDWARD P. ROSKI, JR.
President and Chairman of the Board

By: _____
Name: _____
Its: _____

EXHIBIT "A"

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

Member	Percentage Interest	Initial Cash Contribution
Tejon Industrial Corp. P.O. Box 1000 Lebec, CA 93243 Attn.: Allen Lyda and Hugh McMahon	50.0%	$100,000
Majestic Tejon Multi I, LLC 13191 Crossroads Parkway North, 6th Floor City of Industry, CA 91746-3497 Attn.: Edward P. Roski, Jr. and Brett A. Tremaine	50.0%	$100,000
Totals	100.0%	$200,000

EXHIBIT "B"

LEGAL DESCRIPTION OF THE PROPERTY

The development of an approximately +/- 495-unit multifamily residential complex will be located upon approximately 23.0 acres, within the Tejon Ranch Commerce Center ("TRCC"). The land is located in the City of Arvin, county of Kern, state of California, also known as APN(s): 238-480-24, 238-480-17, and 238-480-15.

The land includes 0.77 acres conveyed to the TRCC/Rock Outlet Center LLC in a land swap supporting development of this Project. The below picture depicts the lands subject to the land swap. The multifamily development will be taking 365 parking spaces and must replace them. The site for the replacement parking is less efficient than the exiting sites (3.66 acres) and it requires 4.43 acres to achieve the required 365 parking spaces, also known as APN(s): 238-480-20 and 238-480-21. The 0.77 acres is land that the partnership will not have possession of but is necessary for development of the replacement parking required to support the project.

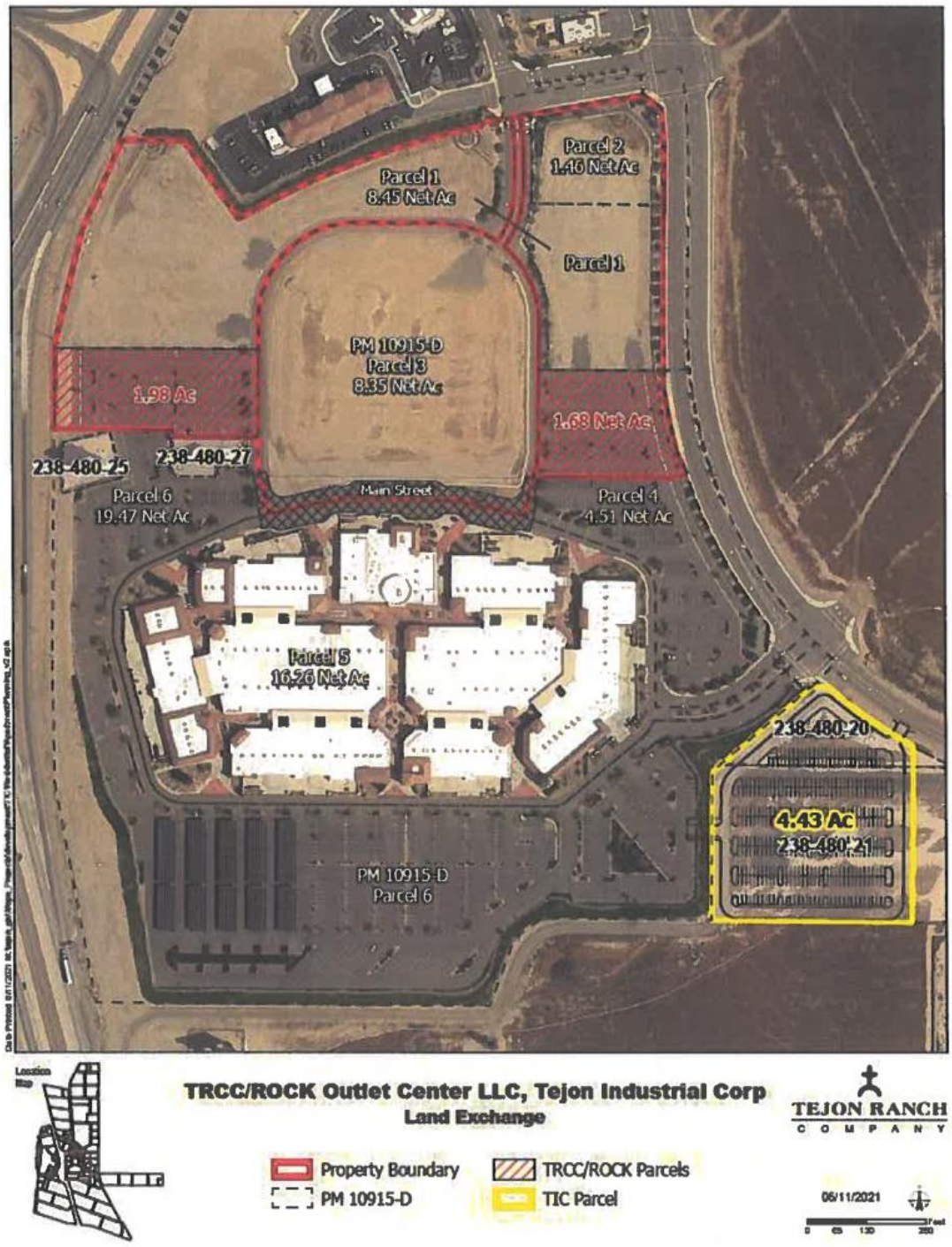

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EXHIBIT "B"
-2-

EXHIBIT "C"

PRE-DEVELOPMENT BUDGET

Project Number	Project Name	Task Number	Contract Number	Invoice Line Description	Task Name	Supplier	Project Accounting Date	Invoice Number	Transaction Number	Cost
TIE0022	TRCC-E Multi Family	10.05.01.05.99	TRC-2685	Land Planning Services	Cncpt Plan and Desig	PLACEWORKS INC	6/1/2020	72021	1329118	15,120
						PLACEWORKS INC	7/1/2020	72408	1337210	14,813
		10.05.01.10.99	TIC-76	Analysis of Best Land Use Mix	Studies-Consultants	MEYERS RESEARCH LLC ADVISORY	7/15/2020	KE519-20A	1360113	11,500
TRS0001	TRS - Planning	10.05.01.05.06	TIC-77	Entitlement Support	Architecture	ARRIS STUDIO ARCHITECTS	9/6/2020	6787	1399116	4,235
						ARRIS STUDIO ARCHITECTS	10/6/2020	6859	1432293	385
						ARRIS STUDIO ARCHITECTS	11/6/2020	6893	1461131	2,680
						ARRIS STUDIO ARCHITECTS	12/6/2020	6979	1497117	3,465
		10.05.01.05.99	TRC-2685	CO # 1 Task 1.5 Revisions to master Development Community Structure Plan	Cncpt Plan and Desig	PLACEWORKS INC	9/1/2020	72927	1392114	7,496
				CO #2 Task 1.6 Market Study Phase 2 Synthesis	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453116	4,121
				CO #2 Task 1.7 Phase 2 Site Plan Design and Illustrative	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453117	18,801
				CO #2 Task 1.8 Conceptual Master Plan Illustrative	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453118	1,236
				CO #2 Task 2.1 Team Meetings	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453121	4,655
				CO #2 Task 2.2 Project Coordination and Graphics Assistance	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453119	1,640
				CO #2 Task X Expenses and Reproduction	Cncpt Plan and Desig	PLACEWORKS INC	10/22/2020	73521	1453120	498
		10.05.01.10.23	TIC-86	3 Acre Park Site east of Laval location	Environmental Review	SOILS ENGINEERING, INC.	12/1/2020	31853	1494113	3,500
				5.2 Acre Outlets Replacement Parking location	Environmental Review	SOILS ENGINEERING, INC.	12/1/2020	31853	1494112	3,500
		10.05.05.10.05	TIC-83	Air Quality & HRA Analysis	Air Quality	WZI INC.	12/1/2020	14205	1497113	6,063
		10.05.05.10.07	TIC-84	Biological Reconnaissance Assessment & Memorandum	Biology	DUDEK & ASSOCIATES, INC.	12/11/2020	202009215	1501121	2,128
		10.05.05.10.20	TIC-85	Project Development & Approval Process with Kern Count	Traffic and Transpor	FEHR & PEERS	12/1/2020	141772	1499114	2,900
		10.05.05.10.28	TIC-82	Project Start-Up / Site Analysis	Landscape Architecture	COLLABORATIVE V DESIGN STUDIO INC	11/1/2020	010067	1459113	2,680
						COLLABORATIVE V DESIGN STUDIO INC	12/1/2020	010137	1494115	670
				Schematic Design / Kern County Site Plan Submittal	Landscape Architecture	COLLABORATIVE V DESIGN STUDIO INC	12/1/2020	010137	1494116	3,300
		10.05.10.10.99	TIC-76	Analysis of Best Land Use Mix - TRS	Mapping	MEYERS RESEARCH LLC ADVISORY	10/1/2020	KE519-20B	1427115	11,500
				Expenses	Mapping	MEYERS RESEARCH LLC ADVISORY	10/1/2020	KE519-20B	1427114	2,267
		10.05.10.20.14	TIC-78	CO # 1 TRCC - Multifamily Development Site Plan Preparation	Site Planning	PSOMAS	11/12/2020	167538R	1483113	13,263
				Coordination and Meetings (time and materials)	Site Planning	PSOMAS	11/12/2020	167538R	1483112	960
		10.05.15.01.06		Preliminary Title Reports; Condition of Title Guarantee (Psomas efforts)	Prelim Title Report	CHICAGO TITLE COMPANY	12/10/2020	FWKN-TO20002741-1	1501118	1,750
		10.05.15.01.99		Additional Conditional Use Permit Application Review Fees	Fees Misc.	KERN COUNTY PLANNING DEPARTMENT	12/2/2020	120220	1488113	5,080
				County Fee for Determination of Similar Use	Fees Misc.	KERN COUNTY PLANNING DEPARTMENT	10/28/2020	10282020	1451133	220
				Fee for application for grocery use at OAT	Fees Misc.	KERN COUNTY PLANNING DEPARTMENT	9/25/2020	09252020	1420118	500
				TRCC Residential; Conditional Use Permit Preliminary Review Fee	Fees Misc.	KERN COUNTY PLANNING DEPARTMENT	11/20/2020	112020	1477115	520
TRS0099	TRS Residential - Legal	10.05.04.20.01		July charges; TRCC Residential	TRCC Residential Project M	HOLLAND & KNIGHT LLP	8/10/2020	6054144	1377124	1,224
				Matter 115399.00014	TRCC Residential Project M	HOLLAND & KNIGHT LLP	7/9/2020	6041564	1365114	9,180
				TRCC Residential (November charges)	TRCC Residential Project M	HOLLAND & KNIGHT LLP	12/1/2020	6107783	1497114	7,140
				TRCC Residential (October charges)	TRCC Residential Project M	HOLLAND & KNIGHT LLP	11/8/2020	6095548	1475136	8,500
				TRCC Residential (September charges)	TRCC Residential Project M	HOLLAND & KNIGHT LLP	10/9/2020	6082608	1443144	2,720
				TRCC Residential August charges	TRCC Residential Project M	HOLLAND & KNIGHT LLP	9/11/2020	6068933	1405119	1,360
TRS0001	TRS - Planning	10.05.01.05.06	TIC-77	CO 1 Schematic Design	Architecture	ARRIS STUDIO ARCHITECTS	2/6/2021	7178	1584114	50,000
						ARRIS STUDIO ARCHITECTS	3/6/2021	7298	1613124	15,000
				Entitlement Support	Architecture	ARRIS STUDIO ARCHITECTS	1/6/2021	7069	1533113	770
		10.05.01.10.23	TIC-86	CO#1 Update 5.2 Acre Outlets Parking Lot Site Assessment	Environmental Review	SOILS ENGINEERING, INC.	8/11/2021	32760	1708114	2,000
		10.05.05.01.16		Kern County Staff Time (December charges)	Kern County Staff Time	KERN COUNTY PLANNING DEPARTMENT	2/1/2021	0022849-IN	1573122	3,788
				Kern County Staff Time (January charges)	Kern County Staff Time	KERN COUNTY PLANNING DEPARTMENT	2/5/2021	0022924-IN	1573123	2,646
		10.05.05.10.04	TIC-83	CO # 1Noise Analysis	Acoustical	WZI INC.	2/1/2021	14246	1591122	1,128
						WZI INC.	3/1/2021	14285-REV	1603114	1,640
				Noise Analysis	Acoustical	WZI INC.	2/1/2021	14246	1591120	20,000
		10.05.05.10.05	TIC-83	Air Quality & HRA Analysis	Air Quality	WZI INC.	2/1/2021	14246	1591119	8,938
				CO # 1 Air Quality & HRA Analysis	Air Quality	WZI INC.	2/1/2021	14246	1591121	2,790
						WZI INC.	3/1/2021	14285-REV	1603113	2,210
		10.05.05.10.20	TIC-85	Project Development & Approval Process with Kern Count	Traffic and Transpor	FEHR & PEERS	1/1/2021	142385	1524127	8,813
						FEHR & PEERS	3/1/2021	142994	1603145	3,088
				Reimbursables	Traffic and Transpor	FEHR & PEERS	3/1/2021	142994	1603112	200
		10.05.05.10.21	TIC-78	CO # 3 Dry Utility Site Planning (Time and Materials)	Utilities (Dry)	PSOMAS	6/1/2021	172990	1669117	3,559
		10.05.05.10.28	TIC-82	CO #1 Preliminary Design/ Landscape Architectural Services	Landscape Architecture	COLLABORATIVE V DESIGN STUDIO INC	2/18/2021	JA010219REV	1584116	6,800
		10.05.10.20.01	TIC-78	CO # 3 Coordination & Meetings (Time and Materials)	General - Civ Eng.	PSOMAS	3/3/2021	170736	1613123	200
				CO # 3 Design Development Plans (Time and Materials)	General - Civ Eng.	PSOMAS	3/3/2021	170736	1613122	6,420
						PSOMAS	3/24/2021	171343	1621140	425
		10.05.10.20.14	TIC-78	CO # 1 TRCC - Multifamily Development Site Plan Preparation	Site Planning	PSOMAS	1/1/2021	168610	1527116	2,470

Project Number	Project Name	Task Number	Contract Number	Invoice Line Description	Task Name	Supplier	Project Accounting Date	Invoice Number	Transaction Number	Cost
				CO # 2 Prepare an Legal Descriptions & Exhibits -Mutlifamily & Parking Parcels	Site Planning	PSOMAS	2/3/2021	169917	1591118	3,800
				CO # 2 Site Plan Preparation (Time and Materials)	Site Planning	PSOMAS	2/3/2021	169917	1591116	3,990
				CO # 2 Site Plan Review Package (Time and Materials)	Site Planning	PSOMAS	2/3/2021	169917	1591117	8,955
				Coordination and Meetings (time and materials)	Site Planning	PSOMAS	1/1/2021	168610	1527115	2,513
						PSOMAS	2/3/2021	169917	1591114	1,935
						PSOMAS	3/3/2021	170736	1613121	50
				Proforma Cost Estimate (time and materials)	Site Planning	PSOMAS	3/3/2021	170736	1613120	15,218
				Reimbursables (time and materials)	Site Planning	PSOMAS	2/3/2021	169917	1591115	175
						PSOMAS	7/1/2021	174008	1687115	199
				Site Plan Review Package (time and materials)	Site Planning	PSOMAS	1/1/2021	168610	1527114	36,285
						PSOMAS	2/3/2021	169917	1591113	1,200
TRS0099	TRS Residential - Legal	10.05.04.20.01		February charges	TRCC Residential Project M	HOLLAND & KNIGHT LLP	3/15/2021	6158433	1621138	1,603
				Matter: 115399.00014	TRCC Residential Project M	HOLLAND & KNIGHT LLP	1/14/2021	6129457	1560112	3,876
				Revised invoice for January charges due to charges incorrectly applied to wrong project invoice.	TRCC Residential Project M	HOLLAND & KNIGHT LLP	3/1/2021	6159002	1621137	2,658
				TRCC Multi-family (May charges)	TRCC Residential Project M	HOLLAND & KNIGHT LLP	6/17/2021	6203421	1683113	787
				TRCC Residential (April charges)	TRCC Residential Project M	HOLLAND & KNIGHT LLP	5/17/2021	6187974	1666115	5,384
										413,080

EXHIBIT "D"

CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

between

TEJON INDUSTRIAL CORP.,
a California corporation,

as Contributor

and

TRC-MRC MULTI I, LLC,
a Delaware limited liability company,

as Company

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CONTRIBUTION AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

I.

SUMMARY AND DEFINITION OF BASIC TERMS

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

Terms of Agreement (first reference in this Agreement)	Description
1. **Effective Date** (Preamble):	_____, 202_ [1]
2. **Closing Date** (Section 2.2):	The Effective Date.
3. **Contributor's Notice Address** (Section 10):	Tejon Industrial Corp. P.O. Box 1000 4436 Lebec Road Lebec, California 93243 Attention: Allen Lyda and Hugh McMahon Emails: alyda@tejonranch.com; hmcmahon@tejonranch.com
4. **Company's Notice Address** (Section 10):	TRC-MRC MULTI I, LLC c/o Majestic Realty Co. 13191 Crossroads Parkway North, 6th Floor City of Industry, California 91746-3497 Attn: Brett A. Tremaine and Thomas Simmons Emails: TSimmons@majesticrealty.com; btremaine@majesticrealty.com
5. **Escrow Holder** and **Escrow Holder's Notice Address** (Sections 2.1 and 10):	Chicago Title Company 4015 Coffee Road, Suite 100 Bakersfield, California 93308 Attn: Maria Biernat Email: biernat@ctt.com

[1] Pursuant to the Limited Liability Company Agreement of TRC-MRC MULTI I, LLC, this Agreement is to be executed within three business days following the approval of the Company's initial business plan and this will be a sign and close transaction.

6. **Title Company** (Section 3.1.1): Chicago Title Company

7. **Contributor's Representatives** (Section 8.1.13): Allen Lyda and Hugh McMahon

8. **Company's Representatives** (Section 9.1.7): Brett Tremaine and Thomas Simmons

II.

RECITALS

A. Contributor is the owner of that certain real property consisting of approximately twenty-one and 92/100ths (21.92) net acres of vacant land located within the Tejon Ranch Commerce Center (the "**Project**") in the County of Kern, State of California, and described more particularly on Exhibit "A" attached hereto (the "**Land**").

B. Contributor (sometimes also referred to herein as "**TRC Member**") and Majestic Tejon V, LLC, a California limited liability company ("**MRC Member**"), as the members, have entered into that certain Limited Liability Company Agreement of TRC-MRC MULTI I, LLC on or about February __, 2021 (the "**Company Agreement**").

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

i. Subject to the last sentence of this Recital C, the Land and all of Contributor's interest in all rights, privileges, easements, rights-of-way and appurtenances benefiting the Land including, without limitation, Contributor's interest, if any, in all air rights, easements, rights-of-way and other appurtenances used or connected with the beneficial use or enjoyment of the Land (the Land and all such rights, privileges, easements and appurtenances are sometimes collectively hereinafter referred to as the "**Real Property**");

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

iii. The service contracts described on Exhibit "C" attached hereto (collectively, the "**Service Contracts**").

The Real Property, the Intangible Personal Property and the Service Contracts are sometimes collectively hereinafter referred to as the "**Property**." Notwithstanding the foregoing, the "Property" shall not include any rights, privileges or appurtenances retained by Contributor under the Easement (as defined in Recital D below), the Builder Covenants (as defined in Recital E below), the

Deed (as defined in Section 4.1.2 below) or the General Assignment (as defined in Section 4.1.4 below).

D. Upon the Closing (as defined in Section 2.2 below), Contributor shall execute and cause the Easement Agreement, in the form attached hereto as Exhibit "D" (the "**Easement**"), to be recorded in the Official Records of the County of Kern, State of California (the "**Official Records**"), which shall, among other things, provide for an easement over a portion of the Real Property (as more particularly described in the Easement) for the benefit of that certain other real property which is currently owned by Contributor and located within the Project (as more particularly described in the Easement).

E. Upon the Closing, Contributor and Company shall also execute and cause the Declaration of Building Covenants for Parcel 3 of Parcel Map 109125-D and Parcels A and B of Lot Line Adjustment No. 21 (Parcels A and B of Lot Line Adjustment No. 21 being a portion of Parcels 1, 2, 4 and 6 of Parcel Map 10915-D), Tejon Ranch, California, in the form attached hereto as Exhibit "E" (the "**Builder Covenants**"), to be recorded in the Official Records, with respect to Company's future development of the Real Property in a manner consistent with Contributor's plans for the Project, as more particularly described in the Builder Covenants.

III.

AGREEMENT

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

1. Contribution of Property.

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

2. Escrow.

2.1 Opening of Escrow. Company and Contributor shall promptly deliver a fully executed copy of this Agreement to Escrow Holder. The date of Escrow Holder's receipt of this Agreement is referred to as the "**Opening of Escrow**." Contributor and Company shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby (the "**Supplemental Instructions**"), provided the Supplemental Instructions are consistent with and merely supplement the escrow instructions set forth in this Agreement (the "**Agreement Instructions**") and shall not in any way modify, amend or supersede the Agreement Instructions. The Supplemental Instructions, together with the Agreement Instructions, as they may be amended from time to time by the parties, shall collectively be referred to as the "**Escrow Instructions**." The parties hereto and Escrow Holder acknowledge and agree if there is any conflict between any provision of the Supplemental Instructions and the Agreement Instructions, then the Agreement Instructions shall prevail.

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

3. Conditions Precedent to the Close of Escrow.

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

3.1.1 Title Policy. On or before the Closing, Title Company shall have committed to issue to Company an ALTA extended coverage Owner's Policy of Title Insurance (the "**Title Policy**") with liability in an amount equal to Five Dollars ($5.00) per square foot for the approximately twenty-one and 92/100ths (21.92) net usable acres comprising the Land, reduced by the lien for property taxes not yet payable and adjusted for any prorations or other items described in this Agreement (the "**Agreed Value**"). Solely for purposes of determining the Agreed Value, Contributor shall be deemed to have contributed an additional 77/100ths (0.77) acres of land to the Company which represents the excess of the four and 33/100ths (4.33) acres of land traded by Contributor prior to the Effective Date in exchange for three and 66/100ths (3.66) acres of land owned by TRCC Rock Outlet Center, LLC previously improved with three hundred sixty-five (365) parking spaces (i.e., 4.33-3.66 = 0.77). The Agreed Value of the Land prior to any adjustment for real property taxes not yet payable, prorations and credits equals approximately Four Million Nine Hundred Forty-One Thousand Eight Hundred Eighty-Two Dollars ($4,941,882) (i.e., (21.92 acres+ 0.77 acres) x 43,560 x $5.00 = $4,941,882). The Title Policy shall show title to the Property vested in Company, subject only to all matters set forth on Exhibit "F" attached hereto (which shall include, without limitation, the Easement, the Grant Deed and the Builder Covenants) (collectively, the "**Permitted Exceptions**"), in the form of the pro-forma with endorsements attached hereto as Exhibit "F." Notwithstanding the foregoing, if Company fails to provide an ALTA survey for the Property acceptable to Title Company for purposes of issuing the Title Policy (at Company's sole cost and expense), then the Title Policy to be issued on the Closing shall be an ALTA standard coverage Owner's Policy of Title Insurance which shall include a general survey exception.

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

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

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

3.2 Failure of Conditions Precedent to Company's Obligations. Company's obligations with respect to the transactions contemplated by this Agreement are subject to the satisfaction of the conditions precedent to such obligations for Company's benefit set forth in Section 3.1 above. Company may unilaterally waive any of Company's conditions described in Section 3.1 above. Any such waiver shall be effective only if the same is (i) in writing, (ii) signed by Company, and (iii) delivered to Contributor on or before the date such condition is to be satisfied. If

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

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

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

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

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

4. Deliveries to Escrow Holder.

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

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

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

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

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

4.1.5 Assignment of Contracts and Assumption Agreement. Two (2) counterparts of the Assignment of Contracts and Assumption Agreement in the form attached hereto as Exhibit "J" ("**Assignment of Contracts**"), duly executed by Contributor pursuant to which Contributor shall assign to Company all of Contributor's right, title and interest in, under and to the Service Contracts ;

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

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

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

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

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

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

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

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

4.2.4 Assignment of Contracts. Two (2) counterparts of the Assignment of Contracts, duly executed by Company;

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

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

5. Deliveries Upon Close of Escrow.

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

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

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

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

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

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

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

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

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

6. Costs and Expenses; Prorations.

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

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

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

6.2.2 Service Contracts. Amounts payable under the Service Contracts shall not be prorated. Company shall be required to pay all amounts due under the Service Contracts on the Closing Date. The parties acknowledge that Contributor has received credit to its Capital Account and Unreturned Contribution Account (as such terms are defined in the Company Agreement) in

Company for the payments made by Contributor under the Service Contracts prior to the Closing Date.

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

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

7. AS-IS Contribution.

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

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

7.1.2 Natural Hazard Disclosure Requirement Compliance. Prior to the Closing, Contributor may be required to disclose if the Property lies within the following natural hazard areas or zones: (i) a special flood hazard area designated by the Federal Emergency Management Agency (California Civil Code Section 1102.17); (ii) an area of potential flooding (California Government Code Section 8589.4); (iii) a very high fire hazard severity zone (California Government Code Section 51183.5); (iv) a wildland area that may contain substantial forest fire risks and hazards (California Public Resources Code Section 4136); (v) an earthquake fault zone (California Public Resources Code Section 2621.9); or (vi) a seismic hazard zone (California Public Resources Code Section 2694). Company has been informed by Contributor that Contributor has engaged the services of Disclosure Source (the "**Natural Hazard Expert**") with respect to the Property to examine the maps and other information specifically made available to the public by government agencies for the purpose of enabling Contributor to fulfill its disclosure obligations, if and to the extent such obligations exist, with respect to the natural hazards referred to in California Civil Code Section 1103 and to report the result of its examination to Company and Contributor in writing. The written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Contributor from its disclosure obligations referred to in this Section 7.1.2, if and to the extent such obligations exist, and, for the purpose of this Agreement, the provisions of California Civil Code Section 1103.4 regarding the non-liability of Contributor for errors or omissions not within its personal knowledge shall be deemed to apply and the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. In

no event shall Contributor have any responsibility for matters not actually known to Contributor or of which Contributor should have known.

7.1.3 Condition of Property.

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

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

(c) Without limiting the generality of the foregoing, Company hereby expressly waives, releases and relinquishes any and all claims, causes of action, rights and remedies Company, or its Affiliates (as defined below), or any of its and their respective directors, officers, managers, attorneys, employees, partners, members, shareholders or agents (collectively, the "**Company Parties**"), may now or hereafter have against Contributor, or its Affiliates, or any of its and their respective directors, officers, managers, attorneys, employees, partners, members, shareholders or agents (collectively, the "**Contributor Parties**"), whether known or unknown, with respect to any past, present or future presence or

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

7.1.4 Release. As of the Closing (and subject to Section 7.1.5 below), Company hereby fully and irrevocably releases Contributor and the Contributor Parties from any and all claims that Company or the Company Parties may have or thereafter acquire against Contributor or the Contributor Parties for any cost, loss, liability, damage, expense, demand, action or cause of action (collectively, "**Claims**") arising from or related to any matter of any nature relating to, the Property including, without limitation, the physical condition of the Property, any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Materials and other environmental matters within, under or upon, or in the vicinity of the Property. The foregoing release by Company shall include, without limitation, any Claims Company or the Company Parties may have pursuant to any statutory or common law right Company may have to receive disclosures from Contributor, including, without limitation, any disclosures as to the Property's location within areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the presence of Hazardous Materials on or beneath the Property, the need to obtain flood

insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes Claims of which Company is presently unaware or which Company does not presently suspect to exist in its favor which, if known by Company, would materially affect Company's release of Contributor and the Contributor Parties. In connection with the general release set forth in this Section 7.1.4, Company specifically waives the provisions of California Civil Code Section 1542, which provides as follows:

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

_____
Company's Initials

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

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

8. Contributor's Representations and Warranties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.3 Survival. The representations and warranties of Contributor set forth in Section 8.1.7 (Compliance with Laws) through Section 8.1.12 (Environmental) (collectively, the "**Property Representations and Warranties**") shall survive for a period of one (1) year after the Close of Escrow. No claim for a breach of any of the Property Representations or Warranties will be actionable or payable if (i) Company does not notify Contributor in writing of such breach and commence a "legal action" thereon within one (1) year after the Close of Escrow, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Company prior to the Close of Escrow.

8.4 Limitations. Notwithstanding anything to the contrary contained in this Agreement, (i) the maximum aggregate liability of Contributor, and the maximum aggregate amount which may be awarded to and collected by Company and/or any other party (including, without limitation, MRC Member) for any breach of any of the Property Representations and Warranties shall, under no circumstances whatsoever, exceed ten percent (10%) of the "Agreed Value of the Property" (as defined in the Company Agreement) (the "**CAP Amount**"); and (ii) no claim by Company (and/or any other party) alleging a breach by Contributor of any of the Property Representations and Warranties may be made, and Contributor shall not be liable for, any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Company alleging a breach by Contributor of any such Property Representation and Warranty, is for an aggregate amount in excess of Fifty Thousand Dollars ($50,000) (the "**Floor Amount**"), in which event Contributor's liability respecting any final judgment concerning such claim or claims shall be for the entire amount thereof, subject to the CAP Amount set forth in clause (i) above; provided, however, that if any such final judgment is for an amount that is less than or equal to the Floor Amount, then Contributor shall have no liability with respect thereto.

9. Company's Representations and Warranties.

9.1 Representations and Warranties. As of the Effective Date and as of the Close of Escrow, each of the statements in this Section 9.1 shall be a true, accurate and full disclosure of all facts relevant to the matters contained therein. Company hereby represents and warrants as follows for the sole and exclusive benefit of Contributor, each of which is material and is being relied upon by Contributor as of the Effective Date and as of the Close of Escrow:

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

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

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

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

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

9.1.6 No Litigation. To the Actual Knowledge of Company (as defined in Section 9.2 below), there is no litigation, arbitration, legal or administrative suit, action, proceeding or investigation of any kind, pending or threatened in writing (nor any basis therefor), which questions, directly or indirectly, the validity or enforceability of this Agreement to Company.

9.1.7 Most Knowledgeable Individuals. Company's Representatives are the individuals employed or affiliated with Company that have the most knowledge and information regarding the representations and warranties made in this Section 9.1.

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

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

10. Notices.

All notices or other communications required or permitted hereunder shall be in writing, and shall be delivered or sent, as the case may be, by any of the following methods: (i) personal delivery, (ii) overnight commercial carrier, (iii) registered or certified mail, postage prepaid, return receipt requested, (iv) facsimile, or (v) email. Any such notice or other communication shall be deemed received and effective upon the earlier of (A) if personally delivered, the date of delivery to the address of the person to receive such notice; (B) if delivered by overnight commercial carrier, one (1) day following the receipt of such communication by such carrier from the sender, as shown on the sender's delivery invoice from such carrier; (C) if mailed, on the date of delivery as shown by the sender's registry or certification receipt; (D) if given by facsimile, when sent; or (E) if given by email, when sent. Any notice or other communication sent by facsimile or email must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing to be effective. Any reference herein to the date of delivery, receipt, giving, or effective date, as the case may be, of

any notice or other communication shall refer to the date such communication becomes effective. Notices shall be addressed as follows:

To Contributor:	At Contributor's Notice Address set forth in Section 3 of Article I above
With copies to:	Allen Matkins Leck Gamble Mallory & Natsis LLP 1900 Main Street, 5th Floor Irvine, California 92614 Attention: Paul D. O'Connor, Esq. Email: poconnor@allenmatkins.com
To Company:	At Company's Notice Address set forth in Section 4 of Article I above
With copies to:	Snell & Wilmer L.L.P. One Arizona Center Phoenix, Arizona 85004 Attention: Byron Sarhangian Email: bsarhangian@swlaw.com
To Escrow Holder:	At Escrow Holder's Address set forth in Section 5 of Article I above

Notice of change of address shall be given by written notice in the manner detailed in this Section 10. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice or other communication sent.

11. Broker Commissions.

Company and Contributor hereby represent and warrant to the other that no broker or finder has been engaged by the representing party, and no finder, brokerage, advisory, or other fee has been incurred by such representing party, in connection with the parties entering into this Agreement or the Company Agreement, or in connection with conveying the Property to Company, or to such representing party's knowledge is in any way connected with the parties entering into this Agreement. If any such claims for fees of brokers, finders, advisors, or other such third parties arise from or are connected with the consummation of this Agreement, then Company and Contributor shall indemnify, defend, and hold the other harmless from and against such claims if they shall be based upon any statement, representation, or agreement by the indemnifying party. Contributor has been informed by Company that MRC Member is a licensed real estate broker acting as a principal in this transaction. The terms and obligations of this Section 11 shall expressly survive the Closing.

12. Default.

12.1 Default by Contributor. If Contributor fails to perform any of the material covenants or agreements contained herein which are to be performed by Contributor, then Company may, at its option and as its exclusive remedy, either (i) terminate this Agreement by giving written notice of termination to Contributor, and the parties shall have no further rights or obligations to one

another under this Agreement (except to the extent any such rights or obligations expressly survive the termination of this Agreement), or (ii) seek specific performance of this Agreement. If Company elects the remedy in clause (ii) above, then Company must commence and file such specific performance action in the appropriate court not later than thirty (30) days following the Closing Date.

12.2 Default by Company.

12.2.1 Caused by MRC Member. If Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of MRC Member, then Contributor shall be entitled to pursue any remedies available at law or in equity against Company. Nothing herein shall limit Contributor's rights (in its capacity as a member of Company) under the Company Agreement in the event of a default by MRC Member under the Company Agreement. Notwithstanding any other provision of this Agreement, Company shall not be deemed to be in breach or default hereunder if Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of Contributor whether under this Agreement or the Company Agreement.

12.2.2 Caused by TRC Member. If Company fails to perform any material covenant or agreement to be performed by Company under this Agreement as a result of the acts or omissions of TRC Member (in its capacity as a member of Company), then Company shall have the same remedies as set forth in Section 12.1 above for a default by Contributor; provided, however, that the prosecution, management, and control of any action relating to such default shall be vested solely in MRC Member subject to, and in accordance with, the terms of Section 2.15 of the Company Agreement. Nothing contained in this Agreement shall limit MRC Member's rights under the Company Agreement in the event of a default by Contributor (in its capacity as a member of Company) under the Company Agreement.

12.3 No Consequential Damage. Except as set forth below in this Section 12.3, no party to this Agreement shall have any liability for any punitive damages, lost profits, special damages or consequential damages based on any default or alleged default by any other party under this Agreement. The provisions of the preceding sentence shall not limit the potential liability of Contributor (i) if specific performance of the acquisition of the Property by Company has been made impossible or impracticable due to Contributor's intentional wrongful acts, (ii) for any punitive damages, lost profits, special damages or consequential damages based on the intentional fraud of Contributor, or (iii) for any punitive damages, lost profits, special damages or consequential damages based on the intentional fraud of Company resulting from the acts or omissions of MRC Member.

13. Assignment.

Neither party hereto shall have the right to assign all or any part of its interest in this Agreement created pursuant hereto without the express prior written consent of the other party hereto, which consent may be withheld in each such party's sole and absolute discretion. The foregoing provisions of this Section 13 shall not limit or restrict the rights of any party under the Company Agreement.

14. Miscellaneous.

14.1 Governing Law. The provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of California. Subject to Section 14.6 below,

Contributor and Company hereby irrevocably consent to the exclusive jurisdiction of the state and federal courts located in California and to the exclusive venue of Kern County Superior Court and the District Court for the Eastern District of California for any action or proceeding arising out of, or relating to, this Agreement to the maximum extent allowed by law.

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

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

14.4 Successors and Assigns. Subject to the provisions of Section 13 above, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

14.5 Attorneys' Fees. If any litigation, arbitration or other proceeding is commenced between or among the parties or their representatives in any way arising out of, or relating to, this Agreement, then the prevailing party or parties shall be entitled, in addition to such other relief as may be granted, to have and recover from the other party or parties reasonable attorneys' fees and all costs, taxable or otherwise, including, without limitation, those for expert witnesses, of such action. Any judgment or order entered in any legal proceeding shall contain a specific provision providing for the recovery of all costs and expenses of suit including, without limitation, reasonable attorneys' fees, costs and expenses incurred in connection with (i) enforcing, perfecting and executing such judgment; (ii) post judgment motions; (iii) contempt proceedings; (iv) garnishment, levee, and debtor and third-party examinations; (v) discovery; and (vi) bankruptcy litigation.

14.6 Arbitration. Any action to resolve any controversy or claim arising out of, or related to in any way to, this Agreement, including, without limitation, any alleged breach of this Agreement and any claim based upon any tort theory, however characterized shall be resolved through a binding arbitration before an arbitrator in accordance with the terms of Section 13.18 of the Company Agreement, which terms are incorporated herein by reference. Contributor and Company shall each be treated as a "member" under Section 13.18 of the Company Agreement solely for purposes of determining the rights, duties and obligations of Contributor and Company under such arbitration provisions.

14.7 Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF CONTRIBUTOR AND COMPANY HEREBY WAIVES EACH SUCH PARTY'S RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION (WHETHER AS

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

_____	_____
COMPANY'S INITIALS	CONTRIBUTOR'S INITIALS

14.8 Entire Agreement. The Company Agreement and this Agreement (including all exhibits and schedules attached hereto) are the final expression of, and contain the entire agreement between, the parties with respect to the subject matter hereof and supersede all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. This Agreement may be executed in one (1) or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. Any executed counterpart of this Agreement delivered by facsimile, email or other electronic means shall have the same force and effect as an original ink signed counterpart. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

14.9 Time of Essence/Business Days. Contributor and Company hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not Saturday, Sunday or a legal holiday. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or a legal holiday, under the laws of the State of California, then the termination of such period shall be on the next succeeding business day.

14.10 Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include

the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits and schedules referred to in this Agreement are attached and incorporated by this reference.

15. Scope of Representation.

Contributor and Company each acknowledge and agree that (i) Allen Matkins Leck Gamble Mallory & Natsis LLP has represented the interests of Contributor only, individually and as a member of Company (i.e., as TRC Member), and has not represented MRC Member or Company, (ii) Snell & Wilmer L.L.P. has represented the interests of MRC Member only, and has not represented Contributor (individually or as a member of Company) or Company, and (iii) Company has decided not to retain separate counsel to represent its interest in connection with this Agreement and the transactions contemplated herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Contributor and Company have executed this Contribution Agreement and Joint Escrow Instructions as of the Effective Date.

"Contributor"

TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name: _____
Its: _____

"Company"

TRC-MRC MULTI I, LLC,
a Delaware limited liability company

By: Majestic Tejon Multi I, LLC,
a Delaware limited liability company
Its: Administrative Member

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

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

JOINDER BY ESCROW HOLDER

Escrow Holder hereby acknowledges that it has received this Agreement executed by Contributor and Company and accepts the obligations of and instructions for Escrow Holder set forth herein. Escrow Holder agrees to disburse and/or handle any and all funds and documents in accordance with this Agreement.

Dated: _____, 202_

_____

By: _____
Name: _____
Title: _____

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

[To be provided by Tejon]

EXHIBIT "B"

LIST OF INTANGIBLE PERSONAL PROPERTY

[To be provided by Tejon]

EXHIBIT "C"

LIST OF SERVICE CONTRACTS

[To be provided by Tejon]

EXHIBIT "D"

FORM OF EASEMENT

[To be prepared by Tejon and reasonably approved by Company and attached to this Agreement on or before the Effective Date.]

[To be provided by Tejon]

EXHIBIT "E"

FORM OF BUILDER COVENANTS

[To be provided by Tejon]

EXHIBIT "F"

PRO FORMA TITLE POLICY

[See Attached]

[To be provided by MRC Member and should reflect the Easement, the Deed and the Builder Covenants to be recorded upon the Closing]

EXHIBIT "G"

FORM OF DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
THIS GRANT DEED AND ALL
TAX STATEMENTS TO:

TRC-MRC MULTI I, LLC
P.O. Box 1000
4436 Lebec Road
Lebec, California 93243
Attention: Office of the General Counsel

(Above Space for Recorder's Use Only)

GRANT DEED

APN: _____

THE UNDERSIGNED GRANTOR DECLARES:

Documentary transfer tax is $_____
(X) computed on full value of property conveyed, or
( ) computed on full value, less value of liens and encumbrances remaining at time of sale.

THE PROPERTY IS LOCATED IN UNINCORPORATED AREA
IN THE COUNTY OF KERN, STATE OF CALIFORNIA

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, TEJON INDUSTRIAL CORP., a California corporation ("**Grantor**"), hereby GRANTS to TRC-MRC MULTI I, LLC, a Delaware limited liability company ("**Grantee**"), the following described real property (the "**Property**") located in Unincorporated Area in the County of Kern, State of California:

SEE EXHIBIT "A"
ATTACHED HERETO AND
INCORPORATED HEREIN BY THIS REFERENCE

RESERVING THEREFROM: All rights reserved to Grantor pursuant to the last two (2) paragraphs of EXHIBIT "A" including, without limitation, any rights to surface entry on the Property to access any such rights reserved by Grantor.

AND SUBJECT TO:

1. Taxes and assessments, not delinquent.

2. All other covenants, conditions, restrictions, reservations, rights, rights of way, easements, encumbrances, liens and title matters listed on Exhibit "B" attached hereto and all matters which an accurate survey of the Property would disclose.

3. That certain Easement *(Easement to be described here)* recorded as of the date of this Grant Deed.

4. That certain Development *(Builder Covenants to be described here)* recorded as of the date of this Grant Deed.

IN WITNESS WHEREOF, Grantor has caused this Grant Deed to be executed as of the ___ day of ____, 202_.

TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name:_____
Title:_____
Date:_____

Grantee hereby accepts this Grant Deed and the terms and conditions set forth herein by its execution below.

TRC-MRC MULTI I, LLC,
a Delaware limited liability company

By: Majestic Tejon Multi I, LLC,
a Delaware limited liability company
Its: Administrative Member

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

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Kern)

On _____, before me, _____,
(insert name of notary)
Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Kern)

On _____, before me, _____,
(insert name of notary)
Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

[To be provided by Tejon. The legal description will exclude mineral and water rights.]

EXHIBIT "B"

EXCEPTIONS TO TITLE

[To be provided by Tejon]

EXHIBIT "H"

FORM OF NON-FOREIGN AFFIDAVIT

CONTRIBUTOR'S CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform TRC-MRC MULTI I, LLC, a Delaware limited liability company ("**Transferee**"), that withholding of tax is not required upon the disposition of a U.S. real property interest, the undersigned hereby certifies the following on behalf of the transferor/seller:

1. The transferor/seller is not a foreign corporation, foreign partnership, foreign trust, foreign estate or foreign person (as those terms are defined in the Internal Revenue Code and the Income Tax Regulations promulgated thereunder).

2. The transferor/seller is not a disregarded entity as defined in Section 1.1445-2(b)(2)(iii).

3. The transferor's/seller's tax identification number is 77-0500904.

4. The transferor's/seller's business address is P.O. Box 1000, 4436 Lebec Road, Lebec, California 93243.

The transferor/seller understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the transferor/seller.

Transferor: TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name:_____
Title:_____

EXHIBIT "I"

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT (this "**Assignment**"), dated as of _____, 202_ (the "**Assignment Date**"), is made by and between TEJON INDUSTRIAL CORP., a California corporation ("**Assignor**"), and TRC-MRC MULTI I, LLC, a Delaware limited liability company ("**Assignee**").

RECITALS

A. Pursuant to that certain Contribution Agreement and Joint Escrow Instructions dated as of _____, 202_ (the "**Contribution Agreement**"), Assignee has this day acquired from Assignor that certain real property located in the County of Kern, State of California, as more particularly described on Exhibit "A" attached hereto (the "**Property**").

B. Assignor now desires to contribute and assign to Assignee, to the extent assignable, all of Assignor's right, title and interest in and to those certain warranties, guaranties, licenses, permits, entitlements, governmental approvals and certificates of occupancy and any other intangible personal property described on Exhibit "B" attached hereto, which benefit the Property (collectively, the "**Intangible Personal Property**").

AGREEMENT

In consideration of the acquisition of the Property by Assignee and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Assignor hereby contributes, assigns, transfers and sets over unto Assignee, without representation or warranty of any kind, and Assignee hereby accepts from Assignor, any and all of Assignor's right, title and interest in and to the Intangible Personal Property; provided, however, such contribution, assignment and transfer shall not include any rights or claims arising prior to the Assignment Date which Assignor may have against any person with respect to the Intangible Personal Property.

2. Dispute Costs. In the event of any dispute between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the non-prevailing party shall pay the prevailing party's costs and expenses of such dispute, including, without limitation, reasonable attorneys' fees and costs. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Assignment shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Assignment and to survive and not be merged into any such judgment.

3. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall, taken together, be deemed one (1) document. Any

executed counterpart of this Assignment delivered by facsimile, email or other electronic means shall have the same force and effect as an original ink signed counterpart.

4. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

5. No Third Party Beneficiaries. Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

6. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have caused this General Assignment to be executed as of the Assignment Date.

"Assignor"

TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name: _____
Its: _____

"Assignee"

TRC-MRC MULTI I, LLC,
a Delaware limited liability company

By: Majestic Tejon Multi I, LLC,
a Delaware limited liability company
Its: Administrative Member

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

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

[To be provided by Tejon]

EXHIBIT "B"

LIST OF INTANGIBLE PERSONAL PROPERTY

[To be provided by Tejon]

EXHIBIT "J"

FORM OF ASSIGNMENT OF CONTRACTS AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT OF CONTRACTS AND ASSUMPTION AGREEMENT (this "**Assignment**"), dated as of _____, 202_ (the "**Assignment Date**"), is made by and between TEJON INDUSTRIAL CORP., a California corporation ("**Assignor**"), and TRC-MRC MULTI I, LLC, a Delaware limited liability company ("**Assignee**").

RECITALS

A. Pursuant to that certain Contribution Agreement and Joint Escrow Instructions dated as of _____, 202_ (the "**Contribution Agreement**"), Assignee has this day acquired from Assignor that certain real property located in the County of Kern, State of California, as more particularly described on Exhibit "A" attached hereto (the "**Property**").

B. Assignor now desires to contribute and assign to Assignee, to the extent assignable, all of Assignor's right, title and interest in and to those certain service contracts described on Exhibit "B" attached hereto (collectively, the "**Service Contracts**").

AGREEMENT

In consideration of the acquisition of the Property by Assignee and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Assignor hereby contributes, assigns, transfers and sets over unto Assignee, without representation or warranty of any kind, and Assignee hereby accepts from Assignor, any and all of Assignor's right, title and interest in and to the Service Contracts.

2. No Representation or Warranty. Assignee hereby covenants with Assignor, and represents and warrants to Assignor, that Assignor is transferring its interest in each of the Service Contracts to Assignee (to the extent the terms of any of the Service Contracts do not limit or restrict such right) without any warranty of any kind or nature. This Assignment shall not be construed as a representation or warranty by Assignor as to the transferability or enforceability of the Service Contracts, and Assignor shall have no liability to Assignee in the event that Assignor's interest in any or all of the Service Contracts (i) are not transferable to Assignee, or (ii) are canceled or terminated by reason of this Assignment or any acts of Assignee.

3. Execution of Additional Documents. Assignor hereby covenants that Assignor will, at any time and from time to time upon written request therefor, execute and deliver to Assignee and Assignee's successor's, nominees or assigns, such documents as Assignee or any such party may reasonably request to fully assign and transfer to and vest in Assignee or Assignee's successors, nominees and assigns Assignor's interest in the Service Contracts provided that no such document shall decrease Assignor's rights or increase Assignor's obligations.

4. Assumption of Duties. Assignee hereby assumes the performance of all the terms, covenants and conditions imposed upon Assignor under the Service Contracts regardless of whether the same arise prior to, on or after the Assignment Date.

5. Dispute Costs. In the event of any dispute between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the non-prevailing party shall pay the prevailing party's costs and expenses of such dispute including, without limitation, reasonable attorneys' fees and costs. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Assignment shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Assignment and to survive and not be merged into any such judgment.

6. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall, taken together, be deemed one (1) document. Any executed counterpart of this Assignment delivered by facsimile, email or other electronic means shall have the same force and effect as an original ink signed counterpart.

7. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

8. No Third Party Beneficiaries. Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

9. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have caused this General Assignment to be executed as of the Assignment Date.

"Assignor"

TEJON INDUSTRIAL CORP.,
a California corporation

By:_____
Name: _____
Its: _____

"Assignee"

TRC-MRC MULTI I, LLC,
a Delaware limited liability company

By: Majestic Tejon Multi I, LLC,
a Delaware limited liability company
Its: Administrative Member

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

By:_____
Name:_____
Its:_____

By:_____
Name:_____
Its:_____

EXHIBIT "A"

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF KERN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

[To be provided by Tejon]

EXHIBIT "B"

LIST OF SERVICE CONTRACTS

[To be provided by Tejon]

EXHIBIT "K"

ENVIRONMENTAL REPORTS

[To be provided by Tejon]

EXHIBIT "E"

CONSTRUCTION CONTRACT

AIA® Document A141™ – 2014

Standard Form of Agreement Between Owner and Design-Builder

AGREEMENT made as of the 1st day of February in the year 2022
(In words, indicate day, month and year.)

BETWEEN the Owner:

Majestic Tejon Multi I, LLC,
a Delaware limited liability company
13191 Crossroads Parkway North, Sixth Floor
City of Industry, CA 91746

and the Design-Builder:

Commerce Construction Co., L.P.
13191 Crossroads Parkway N. 6th Floor
City of Industry, CA 91746

for the following Project:

TRCC Multi Family
S. Wheeler Ridge Road & 1-5
Arvin, CA 93307
Job #13587

The Owner and Design-Builder agree as follows.

TABLE OF ARTICLES

TABLE OF EXHIBITS

ARTICLE 1 GENERAL PROVISIONS

§ 1.1 Owner's Criteria – No formal criteria provided

§ 1.1.1 The Owner's program for the Project:
(Set forth the program, identify documentation in which the program is set forth, or state the manner in which the program will be developed.)

This project consists of 495 residential apartment units in two to three story garden style building types with surface parking. Also included, a clubhouse amenity including leasing offices, multi-purpose rooms, business center, mail and parcel room, fitness center, pet spa, smaller cabana building and other minor amenities.

§ 1.1.2 The Owner's design requirements for the Project and related documentation:
(Identify below, or in an attached exhibit, the documentation that contains the Owner's design requirements, including any performance specifications for the Project.)

Defined in Exhibit C: Construction Cost Breakdown including Scope of Service

§ 1.1.3 The Project's physical characteristics:
(Identify or describe, if appropriate, size, location, dimensions, or other pertinent information, such as geotechnical reports; site, boundary and topographic surveys; traffic and utility studies; availability of public and private utilities and services; legal description of the site; etc.)

This project consists of 495 residential apartment units in two to three story garden style building types with surface parking. Also included, a clubhouse amenity including leasing offices, multi-purpose rooms, business center, mail and parcel room, fitness center, pet spa, smaller cabana building and other minor amenities.

§ 1.1.4 The Owner's anticipated Sustainable Objective for the Project, if any:
(Identify the Owner's Sustainable Objective for the Project such as Sustainability Certification, benefit to the environment, enhancement to the health and well-being of building occupants, or improvement of energy efficiency. If the Owner identifies a Sustainable Objective, incorporate AIA Document A141™–2014, Exhibit C, Sustainable Projects, into this Agreement to define the terms, conditions and Work related to the Owner's Sustainable Objective.)
N/A

§ 1.1.5 Incentive programs the Owner intends to pursue for the Project, including those related to the Sustainable Objective, and any deadlines for receiving the incentives that are dependent on, or related to, the Design-Builder's services, are as follows: *(Identify incentive programs the Owner intends to pursue for the Project and deadlines for submitting or applying for the incentive programs.)* N/A

§ 1.1.6 The Owner's budget for the Work to be provided by the Design-Builder is set forth below:
Owner's budget, and if known, a line item breakdown of costs.

See Exhibit C: Construction Cost Breakdown including Scope of Service

§ 1.1.7 The Owner's design and construction milestone dates: Milestone dates: As mutually agreed by Owner and Design-Builder.

.1 Design phase milestone dates:
N/A

.2 **Submission of Design-Builder Proposal:**
N/A

.3 **Phased completion dates:**
N/A

.4 **Substantial Completion date:**
N/A

.5 **Other milestone dates:**
N/A

§ 1.1.8 The Owner requires the Design-Builder to retain the following Architect, Consultants and Contractors at the Design-Builder's cost: *(List name, legal status, address and other information.)*

.1 Architect:

Danielian Associates
60 Corporate Park
Irvine, CA 92606

.2 Consultants:

Consultant list to be provided

.3 Contractors:

Commerce Construction Co., L.P.
13191 Crossroads Parkway N. 6th Floor
City of Industry, CA 91746

§ 1.1.9 Additional Owner's Criteria upon which the Agreement is based:
(Identify special characteristics or needs of the Project not identified elsewhere, such as historic preservation requirements.)

No Additional Owner's Criteria provided.

§ 1.1.10 The Design-Builder shall confirm that the information included in the Owner's Criteria complies with applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities.

§ 1.1.10.1 If the Owner's Criteria conflicts with applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities, the Design-Builder shall notify the Owner of the conflict.

§ 1.1.11 If there is a change in the Owner's Criteria, the Owner and the Design-Builder shall execute a Modification or change order in accordance with Article 6.

§ 1.1.12 If the Owner and Design-Builder intend to transmit Instruments of Service or any other information or documentation in digital form, they shall endeavor to establish necessary protocols governing such transmissions. Unless otherwise agreed, the parties will use AIA Document E203™–2013 to establish the protocols for the development, use, transmission, and exchange of digital data and building information modeling.

§ 1.2 Project Team

§ 1.2.1 The Owner identifies the following representative in accordance with Section 7.1.1:

Brett Tremaine, Senior Vice President
Majestic Realty Co.
13191 Crossroads Parkway N. 6th Floor
City of Industry, CA 91746
Email: btremaine@majesticrealty.com

§ 1.2.2 The persons or entities, in addition to the Owner's representative, who are required to review the Design-Builder's Submittals are as follows:

Hugh F. McMahon IV, Senior Vice President
Tejon Ranch Company
4436 Lebec Road
Tejon Ranch, CA 93243
Email: hmcmahon@tejonranch.com

§ 1.2.3 The Owner will retain the following consultants and separate contractors: N/A

§ 1.2.4 The Design-Builder identifies the following representative in accordance with Section 3.1.2:

Matthew Vawter, Vice President/District Manager
Commerce Construction Co., L.P.
13191 Crossroads Parkway N. 6th Floor
City of Industry, CA 91746
Email: mvawter@commercelp.com
Office: (562) 948-4395

§ 1.2.5 Neither the Owner's nor the Design-Builder's representative shall be changed without ten days' written notice to the other party.

§ 1.3 Binding Dispute Resolution

For any Claim not otherwise resolved under Sections 14.1, 14.2, or 14.3, the method of binding dispute resolution shall be the following: *(Check the appropriate box. If the Owner and Design-Builder do not select a method of binding dispute resolution below, or do not subsequently agree in writing to a binding dispute resolution other than litigation, Claims will be resolved by litigation in a court of competent jurisdiction.)*

[X] Arbitration pursuant to Section 14.4

[ ] Litigation in a court of competent jurisdiction

[ ] Other: *(Specify)*

§ 1.4 Definitions

§ 1.4.1 Design-Build Documents. The Design-Build Documents consist of this Agreement between Owner and Design-Builder and its attached Exhibits (hereinafter, the "Agreement"); other documents listed in this Agreement; and Modifications issued after execution of this Agreement. A Modification is (1) a written amendment to the Contract signed by both parties, including the Design-Build Amendment, (2) a Change Order, or (3) a Change Directive.

§ 1.4.2 The Contract. The Design-Build Documents form the Contract. The Contract represents the entire and integrated agreement between the parties and supersedes prior negotiations, representations or agreements, either written or oral. The Contract may be amended or modified only by a Modification. The Design-Build Documents shall not be construed to create a contractual relationship of any kind between any persons or entities other than the Owner and the Design-Builder.

§ 1.4.3 The Work. The term "Work" means the design, construction and related services required to fulfill the Design-Builder's obligations under the Design-Build Documents, whether completed or partially completed, and includes all labor, materials, equipment and services provided or to be provided by the Design-Builder. The Work may constitute the whole or a part of the Project.

§ 1.4.4 The Project. The Project is the total design and construction of which the Work performed under the Design-Build Documents may be the whole or a part, and may include design and construction by the Owner and by separate contractors.

§ 1.4.5 Instruments of Service. Instruments of Service are representations, in any medium of expression now known or later developed, of the tangible and intangible creative work performed by the Design-Builder, Contractor(s), Architect, and Consultant(s) under their respective agreements. Instruments of Service may include, without limitation, studies, surveys, models, sketches, drawings, specifications, digital models and other similar materials.

§ 1.4.6 Submittal. A Submittal is any submission to the Owner for review and approval demonstrating how the Design-Builder proposes to conform to the Design-Build Documents for those portions of the Work for which the Design-Build Documents require Submittals. Submittals include, but are not limited to, shop drawings, product data, and samples. Submittals are not Design-Build Documents unless incorporated into a Modification.

§ 1.4.7 Owner. The Owner is the person or entity identified as such in the Agreement and is referred to throughout the Design-Build Documents as if singular in number. The term "Owner" means the Owner or the Owner's authorized representative.

§ 1.4.8 Design-Builder. The Design-Builder is the person or entity identified as such in the Agreement and is referred to throughout the Design-Build Documents as if singular in number. The term "Design-Builder" means the Design-Builder or the Design-Builder's authorized representative.

§ 1.4.9 Consultant. A Consultant is a person or entity providing professional services for the Design-Builder for all or a portion of the Work, and is referred to throughout the Design-Build Documents as if singular in number. To the extent required by the relevant jurisdiction, the Consultant shall be lawfully licensed to provide the required professional services.

§ 1.4.10 Architect. The Architect is a person or entity providing design services for the Design-Builder for all or a portion of the Work, and is lawfully licensed to practice architecture in the applicable jurisdiction. The Architect is referred to throughout the Design-Build Documents as if singular in number.

§ 1.4.11 Contractor. A Contractor is a person or entity performing all or a portion of the construction, required in connection with the Work, for the Design-Builder. The Contractor shall be lawfully licensed, if required in the jurisdiction where the Project is located. The Contractor is referred to throughout the Design-Build Documents as if singular in number and means a Contractor or an authorized representative of the Contractor.

§ 1.4.12 Confidential Information. Confidential Information is information containing confidential or business proprietary information that is clearly marked as "confidential."

§ 1.4.13 Contract Time. Unless otherwise provided, Contract Time is the period of time, including authorized adjustments, as set forth in the Design-Build Amendment for Substantial Completion of the Work.

§ 1.4.14 Day. The term "day" as used in the Design-Build Documents shall mean calendar day unless otherwise specifically defined.

§ 1.4.15 Contract Sum. The Contract Sum is the amount to be paid to the Design-Builder for performance of the Work after execution of the Design-Build Amendment, as identified in Article A.1 of the Design-Build Amendment.

ARTICLE 2 COMPENSATION AND PROGRESS PAYMENTS

§ 2.1 Compensation for Work Performed Prior To Execution of Design-Build Amendment

§ 2.1.1 Unless otherwise agreed, payments for Work performed prior to Execution of the Design-Build Amendment shall be made monthly. For the Design-Builder's performance of Work prior to the execution of the Design-Build Amendment, the Owner shall compensate the Design-Builder as follows: *(Insert amount of, or basis for, compensation, including compensation for any Sustainability Services, or indicate the exhibit in which the information is provided. If there will be a limit on the total amount of compensation for Work performed prior to the execution of the Design-Build Amendment, state the amount of the limit.)*

ONE MILLION THREE HUNDRED FORTY NINE THOUSAND TWO HUNDRED FORTY DOLLARS AND NO CENTS ($1,349,240.00)

a) Cost of the Work per Exhibit C.
b) Plus the Design Builder's Overhead and Fee calculated at 5% of the Cost of the Work.
c) Equals total compensation (Not to Exceed Guaranteed Maximum Amount)

§ 2.1.2 The hourly billing rates for services of the Design-Builder and the Design-Builder's Architect, Consultants and Contractors, if any, are set forth below. *(If applicable, attach an exhibit of hourly billing rates or insert them below.)*

Individual or Position	Rate

§ 2.1.3 Compensation for Reimbursable Expenses Prior To Execution of Design-Build Amendment
§ 2.1.3.1 Reimbursable Expenses are in addition to compensation set forth in Section 2.1.1 and 2.1.2 and include expenses, directly related to the Project, incurred by the Design-Builder and the Design-Builder's Architect, Consultants, and Contractors, as follows:

.1 Transportation and authorized out-of-town travel and subsistence;
.2 Dedicated data and communication services, teleconferences, Project web sites, and extranets;
.3 Fees paid for securing approval of authorities having jurisdiction over the Project;
.4 Printing, reproductions, plots, standard form documents;
.5 Postage, handling and delivery;
.6 Expense of overtime work requiring higher than regular rates, if authorized in advance by the Owner;
.7 Renderings, physical models, mock-ups, professional photography, and presentation materials requested by the Owner;
.8 All taxes levied on professional services and on reimbursable expenses; and
.9 Other Project-related expenditures, if authorized in advance by the Owner.

§ 2.1.3.2 For Reimbursable Expenses, the compensation shall be the expenses the Design-Builder and the Design-Builder's Architect, Consultants and Contractors incurred, plus an administrative fee of five percent (5 %) of the expenses incurred.

§ 2.1.4 Payments to the Design-Builder Prior To Execution of Design-Build Amendment
§ 2.1.4.1 Payments are due and payable upon presentation of the Design-Builder's invoice. Amounts unpaid thirty (30) days after the invoice date shall bear interest at the rate entered below, or in the absence thereof at the legal rate prevailing from time to time at the principal place of business of the Design-Builder.*(Insert rate of monthly or annual interest agreed upon.)*

0.50% per month

§ 2.1.4.2 Records of Reimbursable Expenses and services performed on the basis of hourly rates shall be available to the Owner at mutually convenient times for a period of two years following execution of the Design-Build Amendment or termination of this Agreement, whichever occurs first.

§ 2.2 Contract Sum and Payment for Work Performed After Execution of Design-Build Amendment
For the Design-Builder's performance of the Work after execution of the Design-Build Amendment, the Owner shall pay to the Design-Builder the Contract Sum in current funds as agreed in the Design-Build Amendment.

ARTICLE 3 GENERAL REQUIREMENTS OF THE WORK OF THE DESIGN-BUILD CONTRACT
§ 3.1 General
§ 3.1.1 The Design-Builder shall comply with any applicable licensing requirements in the jurisdiction where the Project is located.

§ 3.1.2 The Design-Builder shall designate in writing a representative who is authorized to act on the Design-Builder's behalf with respect to the Project.

§ 3.1.3 The Design-Builder shall perform the Work in accordance with the Design-Build Documents. The Design-Builder shall not be relieved of the obligation to perform the Work in accordance with the Design-Build Documents by the activities, tests, inspections or approvals of the Owner, although extensions of time and associated costs shall reasonably be granted in the event of delays caused by such activities.

§ 3.1.3.1 The Design-Builder shall perform the Work in compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities. If the Design-Builder performs Work contrary to applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities, the Design-Builder shall assume responsibility for such Work and shall bear the costs attributable to correction.

§ 3.1.3.2 Neither the Design-Builder nor any Contractor, Consultant, or Architect shall be obligated to perform any act which they believe will violate any applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities. If the Design-Builder determines that implementation of any instruction received from the Owner, including those in the Owner's Criteria, would cause a violation of any applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities, the Design-Builder shall notify the Owner in writing. Upon verification by the Owner that a change to the Owner's Criteria is required to remedy the violation, the Owner and the Design-Builder shall execute a Modification in accordance with Article 6.

§ 3.1.4 The Design-Builder shall be responsible to the Owner for acts and omissions of the Design-Builder's employees, Architect, Consultants, Contractors, and their agents and employees, and other persons or entities performing portions of the Work.

§ 3.1.5 General Consultation. The Design-Builder shall schedule and conduct periodic meetings with the Owner to review matters such as procedures, progress, coordination, and scheduling of the Work.

§ 3.1.6 When applicable law requires that services be performed by licensed professionals, the Design-Builder shall provide those services through qualified, licensed professionals. The Owner understands and agrees that the services of the Design-Builder's Architect and the Design-Builder's other Consultants are performed in the sole interest of, and for the exclusive benefit of, the Design-Builder.

§ 3.1.7 The Design-Builder, with the assistance of the Owner, shall prepare and file documents required to obtain necessary approvals of governmental authorities having jurisdiction over the Project.

§ 3.1.8 Progress Reports

§ 3.1.8.1 The Design-Builder shall keep the Owner informed of the progress and quality of the Work. On a monthly basis, or otherwise as agreed to by the Owner and Design-Builder, the Design-Builder may submit written progress reports to the Owner.

§ 3.1.9 Design-Builder's Schedules

§ 3.1.9.1 The Design-Builder, promptly after execution of this Agreement, shall prepare and submit for the Owner's information a schedule for the Work. The schedule, including the time required for design and construction, shall not exceed time limits current under the Design-Build Documents, shall be revised at appropriate intervals as required by the conditions of the Work and Project, shall be related to the entire Project to the extent required by the Design-Build Documents, shall provide for expeditious and practicable execution of the Work, and shall include allowances for periods of time required for the Owner's review and for approval of submissions by authorities having jurisdiction over the Project.

§ 3.1.9.2 The Design-Builder shall perform the Work in general accordance with the most recent schedules submitted to the Owner.

§ 3.1.10 Certifications. Upon the Owner's written request, the Design-Builder shall obtain from the Architect, Consultants, and Contractors, and furnish to the Owner, certifications with respect to the documents and services provided by the Architect, Consultants, and Contractors (a) that, to the best of their knowledge, information and belief, the documents or services to which the certifications relate (i) are consistent with the Design-Build Documents, except to the extent specifically identified in the certificate, and (ii) comply with applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities governing the design of the Project; and (b) that the Owner and its consultants shall be entitled to rely upon the accuracy of the representations and statements contained in the certifications. The Design-Builder's Architect, Consultants, and Contractors shall not be required to execute certificates or consents that would require knowledge, services or responsibilities beyond the scope of their services.

§ 3.1.11 Design-Builder's Submittals

§ 3.1.11.1 Prior to submission of any Submittals, the Design-Builder shall prepare a Submittal schedule, and shall submit the schedule for the Owner's approval, if requested by the Owner. The Owner's approval shall not unreasonably be delayed or withheld. The Submittal schedule shall (1) be coordinated with the Design-Builder's schedule provided in Section 3.1.9.1, (2) allow the Owner reasonable time to review Submittals, and (3) be periodically updated to reflect the progress of the Work. If the Design-Builder fails to submit a Submittal schedule, the Design-Builder shall not be entitled to any increase in Contract Sum or extension of Contract Time based on the time required for review of Submittals.

§ 3.1.11.2 By providing Submittals the Design-Builder represents to the Owner that it has (1) reviewed and approved them, (2) determined and verified materials, field measurements and field construction criteria related thereto, or will do so and (3) checked and coordinated the information contained within such Submittals with the requirements of the Work and of the Design-Build Documents.

§ 3.1.11.3 The Design-Builder shall perform no portion of the Work for which the Design-Build Documents require Owner's approval of Submittals until the Owner has approved the respective Submittal.

§ 3.1.11.4 The Work shall be in accordance with approved Submittals except that the Design-Builder shall not be relieved of its responsibility to perform the Work consistent with the requirements of the Design-Build Documents. The Work may deviate from the Design-Build Documents only if the Design-Builder has notified the Owner in writing of a deviation. The Design-Builder shall not be relieved of responsibility for errors or omissions in Submittals by the Owner's approval of the Submittals.

§ 3.1.11.5 All professional design services or certifications to be provided by the Design-Builder, including all drawings, calculations, specifications, certifications, shop drawings and other Submittals, shall contain the signature and seal of the licensed design professional preparing them when applicable. Submittals related to the Work designed or certified by the licensed design professionals, if prepared by others, shall bear the licensed design professional's written approval. The Owner and its consultants shall be entitled to rely upon the adequacy, accuracy and completeness of the services, certifications or approvals performed by such design professionals.

§ 3.1.12 Warranty. The Design-Builder warrants to the Owner that materials and equipment furnished under the Contract will be of good quality and new unless the Design-Build Documents require or permit otherwise. The Design-Builder further warrants that the Work will conform to the requirements of the Design-Build Documents and will be free from defects, except for those inherent in the quality of the Work or otherwise expressly permitted by the Design-Build Documents. Work, materials, or equipment not conforming to these requirements may be considered defective. The Design-Builder's warranty excludes remedy for damage or defect caused by abuse, alterations to the Work not executed by the Design-Builder, improper or insufficient maintenance, improper operation, normal wear and tear and normal usage, or any damage caused to the Work after installation, whether before or after occupancy, except if due to Design-Builder, Architect, a Consultant, a Contractor, or anyone directly or indirectly employed by them or anyone for whose acts they may be liable. If required by the Owner, the Design-Builder shall furnish satisfactory evidence as to the kind and quality of materials and equipment.

§ 3.1.13 Royalties, Patents and Copyrights

§ 3.1.13.1 The Design-Builder shall pay all royalties and license fees.

§ 3.1.13.2 The Design-Builder shall defend suits or claims for infringement of copyrights and patent rights such suits or claims arise out of or relate to the Work, and shall hold the Owner and its separate contractors and consultants harmless from loss on account thereof. The Design-Builder shall not be responsible for such defense or loss when a particular design, process or product of a particular manufacturer or manufacturers is required by the Owner, or where the copyright violations are required in the Owner's Criteria. However, if the Design-Builder has reason to believe that the design, process or product required in the Owner's Criteria is an infringement of a copyright or a patent, the Design-Builder shall be responsible for such loss unless such information is promptly furnished to the Owner. If the Owner receives notice from a patent or copyright owner of an alleged violation of a patent or copyright, attributable to the Design-Builder, the Owner shall give prompt written notice to the Design-Builder within fifteen (15) days.

§ 3.1.14 Indemnification

§ 3.1.14.1 To the fullest extent permitted by law, the Design-Builder shall indemnify and hold harmless the Owner, including the Owner's agents and employees, from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or injury to or destruction of tangible property (other than the Work itself) including loss of use resulting therefrom, but only to the extent caused by the negligent acts or omissions of the Design-Builder, Architect, a Consultant, a Contractor, or anyone directly or indirectly employed by them or anyone for whose acts they may be liable. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity that would otherwise exist as to a party or person described in this Section 3.1.14.

§ 3.1.14.2 The indemnification obligation under this Section 3.1.14 shall not be limited by a limitation on amount or type of damages, compensation, or benefits payable by or for Design-Builder, Architect, a Consultant, a Contractor, or anyone directly or indirectly employed by them, under workers' compensation acts, disability benefit acts or other employee benefit acts.

§ 3.1.15 Contingent Assignment of Agreements

§ 3.1.15.1 Each agreement for a portion of the Work is assigned by the Design-Builder to the Owner, provided that

.1 assignment is effective only after termination of the Contract by the Owner for cause, pursuant to Sections 13.1.4 or 13.2.2, and only for those agreements that the Owner accepts by written notification to the Design-Builder and the Architect, Consultants, and Contractors whose agreements are accepted for assignment; and

.2 assignment is subject to the prior rights of the surety, if any, obligated under bond relating to the Contract.

When the Owner accepts the assignment of an agreement, the Owner assumes the Design-Builder's rights and obligations under the agreement.

§ 3.1.15.2 Upon such assignment, if the Work has been suspended for more than 30 days, the compensation under the assigned agreement shall be equitably adjusted for increases in cost resulting from the suspension.

§ 3.1.15.3 Upon such assignment to the Owner under this Section 3.1.15, the Owner may further assign the agreement to a successor design-builder or other entity. If the Owner assigns the agreement to a successor design-builder or other entity, the Owner shall nevertheless remain legally responsible for all of the successor design-builder's or other entity's obligations under the agreement.

§ 3.1.16 Design-Builder's Insurance and Bonds. The Design-Builder shall purchase and maintain insurance and provide bonds as set forth in Exhibit B.

ARTICLE 4 WORK PRIOR TO EXECUTION OF THE DESIGN-BUILD AMENDMENT (if applicable) Indicate which of the following applies:

[ ] For this Project, the Design-Build Amendment is being executed concurrent with the AIA A141 Standard Form of Agreement between the Owner and Design-Builder. Therefore, the Scope of Work for the Project is defined in the Design-Build Amendment.

[X] For this Project, the Design-Build Amendment is **not** being executed concurrent with the AIA A141 Standard Form of Agreement between the Owner and Design-Builder, and Design-Builder's Scope of Work is defined in the attached Exhibit C "Construction Cost Breakdown including Scope of Services". Compensation for the Design-Builder's Scope of Work is included in the attached Exhibit C Construction Cost Breakdown.

ARTICLE 5 WORK FOLLOWING EXECUTION OF THE DESIGN-BUILD AMENDMENT

§ 5.1 Construction Documents

§ 5.1.1 The Scope of Work for the Construction Documents is defined in either the Design-Build Amendment or in an Exhibit C: Construction Cost Breakdown including Scope of Services

§ 5.1.2 The Design-Builder shall provide the Construction Documents to the Owner for the Owner's information. If the

Owner discovers any deviations between the Construction Documents and the Design-Build Documents, the Owner shall promptly notify the Design-Builder of such deviations in writing. The failure of the Owner to discover any such deviations shall not relieve the Design-Builder of the obligation to perform the Work in accordance with the Design-Build Documents.

§ 5.2 Construction

§ 5.2.1 Commencement. Except as permitted in Section 5.2.2, construction shall not commence prior to execution of the Design-Build Amendment.

§ 5.2.2 If the Owner and Design-Builder agree in writing, construction may proceed prior to the execution of the Design-Build Amendment. However, such authorization shall not waive the Owner's right to reject the Design-Builder's Proposal.

§ 5.2.3 The Design-Builder shall supervise and direct the Work, using the Design-Builder's best skill and attention. The Design-Builder shall be solely responsible for, and have control over, construction means, methods, techniques, sequences and procedures, and for coordinating all portions of the Work under the Contract, unless the Design-Build Documents give other specific instructions concerning these matters.

§ 5.2.4 The Design-Builder shall be responsible for inspection of portions of Work already performed to determine that such portions are in proper condition to receive subsequent Work.

§ 5.3 Labor and Materials

§ 5.3.1 Unless otherwise provided in the Design-Build Documents, the Design-Builder shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services, necessary for proper execution and completion of the Work, whether temporary or permanent, and whether or not incorporated or to be incorporated in the Work.

§ 5.3.2 When a material or system is specified in the Design-Build Documents, the Design-Builder may make substitutions only in accordance with Article 6.

§ 5.3.3 The Design-Builder shall enforce strict discipline and good order among the Design-Builder's employees and other persons carrying out the Work. The Design-Builder shall not permit employment of unfit persons or persons not properly skilled in tasks assigned to them.

§ 5.4 Taxes

The Design-Builder shall pay sales, consumer, use and similar taxes, for the Work provided by the Design-Builder, that are legally enacted when the Design-Build Amendment is executed, whether or not yet effective or merely scheduled to go into effect.

§ 5.5 Permits, Fees, Notices and Compliance with Laws

§ 5.5.1 Unless otherwise provided in the Design-Build Documents, the Design-Builder shall secure and pay for the building permit as well as any other permits, fees, licenses, and inspections by government agencies, necessary for proper execution of the Work and Substantial Completion of the Project subject to Article 5.4 above.

§ 5.5.2 The Design-Builder shall comply with and give notices required by applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities, applicable to performance of the Work.

§ 5.5.3 Concealed or Unknown Conditions. If the Design-Builder encounters conditions at the site that are (1) subsurface or otherwise concealed physical conditions that differ materially from those indicated in the Design-Build Documents or (2) unknown physical conditions of an unusual nature that differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Design-Build Documents, the Design-Builder shall promptly provide notice to the Owner before conditions are disturbed and in no event later than 21 days after first observance of the conditions. The Owner shall promptly investigate such conditions and, if the Owner determines that they differ materially and cause an increase or decrease in the Design-Builder's cost of, or time required for, performance of any part of the Work, shall recommend in writing an equitable adjustment in the Contract Sum or

Contract Time, or both. If the Owner determines that the conditions at the site are not materially different from those indicated in the Design-Build Documents and that no change in the terms of the Contract is justified, the Owner shall promptly notify the Design-Builder in writing, stating the reasons. If the Design-Builder disputes the Owner's determination or recommendation, the Design-Builder may proceed as provided in Article 14.

§ 5.5.4 If, in the course of the Work, the Design-Builder encounters human remains, or recognizes the existence of burial markers, archaeological sites, or wetlands, not indicated in the Design-Build Documents, the Design-Builder shall immediately suspend any operations that would affect them and shall notify the Owner. Upon receipt of such notice, the Owner shall promptly take any action necessary to obtain governmental authorization required to resume the operations. The Design-Builder shall continue to suspend such operations until otherwise instructed by the Owner but shall continue with all other operations that do not affect those remains or features. Reasonable extensions of time shall be granted for such conditions. In the event of a dispute, the parties shall pursue resolution as provided in Article 14. Requests for adjustments in the Contract Sum and Contract Time arising from the existence of such remains or features shall be made as provided in Article 14.

§ 5.6 Allowances

§ 5.6.1 The Design-Builder shall include in the Contract Sum all allowances stated in the Design-Build Documents. Items covered by allowances shall be supplied for such amounts and by such persons or entities as the Owner may direct, but the Design-Builder shall not be required to employ persons or entities to whom the Design-Builder has reasonable objection.

§ 5.6.2 Unless otherwise provided in the Design-Build Documents,

.1 allowances shall cover the cost to the Design-Builder of materials and equipment delivered at the site and all required taxes, less applicable trade discounts;

.2 the Design-Builder's costs for unloading and handling at the site, labor, installation costs, overhead, profit, and other expenses contemplated for stated allowance amounts, shall be included in the allowances; and

.3 whenever costs are more than or less than allowances, the Contract Sum shall be adjusted accordingly by Change Order. The amount of the Change Order shall reflect (1) the difference between actual costs and the allowances under Section 5.6.2.1 and (2) changes in Design-Builder's costs under Section 5.6.2.2.

§ 5.6.3 The Owner shall make selections of materials and equipment with reasonable promptness for allowances requiring Owner selection. In the event the Owner causes delays in making such selections, the Design Builder shall be granted a reasonable extension of Contract Time, and any disputes regarding the same shall be resolved pursuant to Article 14.

§ 5.7 Key Personnel, Contractors and Suppliers

§ 5.7.1 The Design-Builder shall not employ personnel, or contract with Contractors or suppliers to whom the Owner has made reasonable and timely objection. The Design-Builder shall not be required to contract with anyone to whom the Design-Builder has made reasonable and timely objection.

§ 5.7.2 If the Design-Builder changes any of the personnel, Contractors or suppliers identified in the Design-Build Amendment, the Design-Builder shall notify the Owner .

§ 5.7.3 If the Owner has reasonable objection to a person or entity proposed by the Design-Builder, the Design-Builder shall propose another to whom the Owner has no reasonable objection. If the rejected person or entity was reasonably capable of performing the Work, the Contract Sum and Contract Time shall be increased or decreased by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute person or entity's Work. However, no increase in the Contract Sum or Contract Time shall be allowed for such change unless the Design-Builder has acted promptly and responsively in submitting names as required.

§ 5.8 Documents and Submittals at the Site

The Design-Builder shall maintain at the site for the Owner one copy of the Design-Build Documents and a current set of the Construction Documents, in good order and marked currently to indicate field changes and selections made during construction, and one copy of approved Submittals. The Design-Builder shall deliver these items to the Owner in accordance with Section 9.10.2 as a record of the Work as constructed.

§ 5.9 Use of Site
The Design-Builder shall confine operations at the site to areas permitted by applicable laws, statutes, ordinances, codes, rules and regulations, lawful orders of public authorities, and the Design-Build Documents, and shall not unreasonably encumber the site with materials or equipment.

§ 5.10 Cutting and Patching
The Design-Builder shall not cut, patch or otherwise alter fully or partially completed construction by the Owner or a separate contractor except with written consent of the Owner and of such separate contractor; such consent shall not be unreasonably withheld. The Design-Builder shall not unreasonably withhold from the Owner or a separate contractor the Design-Builder's consent to cutting or otherwise altering the Work.

§ 5.11 Cleaning Up
§ 5.11.1 The Design-Builder shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Contract. At completion of the Work, the Design-Builder shall remove waste materials, rubbish, the Design-Builder's tools, construction equipment, machinery and surplus materials from and about the Project.

§ 5.11.2 If the Design-Builder fails to clean up as provided in Section 5.11.1 within three (3) business days after receipt of written notice and an opportunity to cure from the Owner, the Owner may do so, and Owner shall be entitled to reimbursement from the Design-Builder.

§ 5.12 Access to Work
The Design-Builder shall provide the Owner and its separate contractors and consultants access to the Work in preparation and progress wherever located. The Design-Builder shall notify the Owner regarding Project safety criteria and programs, which the Owner, and its contractors and consultants, shall comply with while at the site.

§ 5.13 Construction by Owner or by Separate Contractors
§ 5.13.1 Owner's Right to Perform Construction and to Award Separate Contracts
§ 5.13.1.1 The Owner reserves the right to perform other construction or operations related to the Project with the Owner's own forces; and to award separate contracts in connection with other portions of the Project, or other construction or operations on the site, under terms and conditions identical or substantially similar to this Contract, including those terms and conditions related to insurance and waiver of subrogation. However, nothing in this Contract shall give the Owner the right to perform construction or operations or award separate contracts with respect to any portion of the Design-Builder's scope of Work on this Project. The Owner shall notify the Design-Builder promptly after execution of any separate contract. If the Design-Builder claims that delay or additional cost is involved because of such action by the Owner, the Design-Builder shall make a Claim as provided in Article 14.

§ 5.13.1.2 When separate contracts are awarded for different portions of the Project or other construction or operations on the site, the term "Design-Builder" in the Design-Build Documents in each case shall mean the individual or entity that executes each separate agreement with the Owner.

§ 5.13.1.3 The Owner shall provide for coordination of the activities of the Owner's own forces, and of each separate contractor, with the Work of the Design-Builder, who shall cooperate with them. The Design-Builder shall participate with other separate contractors and the Owner in reviewing their construction schedules. The Design-Builder shall make any revisions to the construction schedule deemed necessary after a joint review and mutual agreement. The construction schedules shall then constitute the schedules to be used by the Design-Builder, separate contractors and the Owner until subsequently revised.

§ 5.13.1.4 Unless otherwise provided in the Design-Build Documents, when the Owner performs construction or operations related to the Project with the Owner's own forces or separate contractors, the Owner shall be deemed to be subject to the same obligations, and to have the same rights, that apply to the Design-Builder under the Contract.
§ 5.14 Mutual Responsibility

§ 5.14.1 The Design-Builder shall afford the Owner and separate contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities, and shall connect and coordinate the Design-Builder's construction and operations with theirs as required by the Design-Build Documents.

§ 5.14.2 If part of the Design-Builder's Work depends upon construction or operations by the Owner or a separate contractor, the Design-Builder shall, prior to proceeding with that portion of the Work, prepare a written report to the Owner, identifying reasonably apparent discrepancies or defects in the construction or operations by the Owner or separate contractor that would render it unsuitable for proper execution and results of the Design-Builder's Work. Failure of the Design-Builder to report shall constitute an acknowledgment that the Owner's or separate contractor's completed or partially completed construction is fit and proper to receive the Design-Builder's Work, except as to defects not then reasonably discoverable.

§ 5.14.3 The Design-Builder shall reimburse the Owner for costs the Owner incurs that are payable to a separate contractor because of the Design-Builder's delays, improperly timed activities or defective construction. The Owner shall be responsible to the Design-Builder for costs the Design-Builder incurs because of a separate contractor's or Owner's delays, improperly timed activities, damage to the Work or defective construction. In the event of a dispute, the Owner or Design-Builder shall make a claim as provided in Article 14.

§ 5.14.4 The Design-Builder shall promptly remedy damage the Design-Builder wrongfully causes to completed or partially completed construction or to property of the Owner or separate contractors as provided in Section 10.2.5.

§ 5.14.5 The Owner and each separate contractor shall have the same responsibilities for cutting and patching the Work as the Design-Builder has with respect to the construction of the Owner or separate contractors in Section 5.10.

§ 5.15 Owner's Right to Clean Up

If a dispute arises among the Design-Builder, separate contractors and the Owner as to the responsibility under their respective contracts for maintaining the premises and surrounding area free from waste materials and rubbish, the Owner may clean up and will allocate the cost among those responsible.

ARTICLE 6 CHANGES IN THE WORK

§ 6.1 General

§ 6.1.1 Changes in the Work may be accomplished after execution of the Contract by Change Order, subject to the limitations stated in this Article 6 and elsewhere in the Design-Build Documents.

§ 6.1.2 A Change Order shall be based upon agreement between the Owner and Design-Builder.

§ 6.1.3 Changes in the Work shall be performed under applicable provisions of the Design-Build Documents, and the Design-Builder shall proceed promptly, unless otherwise provided in the Change Order.

§ 6.2 Change Orders

A Change Order is a written instrument signed by the Owner and Design-Builder stating their agreement upon all of the following:

.1 The change in the Work;

.2 The amount of the adjustment, if any, in the Contract Sum or, if prior to execution of the Design-Build Amendment, the adjustment in the Design-Builder's compensation; and

.3 The extent of the adjustment, if any, in the Contract Time.

ARTICLE 7 OWNER'S RESPONSIBILITIES

§ 7.1 General

§ 7.1.1 The Owner shall designate in writing a representative who shall have express authority to bind the Owner with respect to all Project matters requiring the Owner's approval or authorization. This designation shall be given at the time of execution of this Agreement.

§ 7.1.2 The Owner shall render decisions in a timely manner and in accordance with the Design-Builder's schedule agreed

to by the Owner. The Owner shall furnish to the Design-Builder, within 15 days after receipt of a written request, information necessary and relevant for the Design-Builder to evaluate, give notice of or enforce mechanic's lien rights. Such information shall include a correct statement of the record legal title to the property on which the Project is located, usually referred to as the site and the Owner's interest therein.

§ 7.2 Information and Services Required of the Owner

§ 7.2.1 The Owner shall furnish information or services required of the Owner by the Design-Build Documents with reasonable promptness, and in no event later than fifteen (15) days after request.

§ 7.2.2 The Owner shall provide, to the extent under the Owner's control and if not required by the Design-Build Documents to be provided by the Design-Builder, the results and reports of prior tests, inspections or investigations conducted for the Project involving structural or mechanical systems; chemical, air and water pollution; hazardous materials; or environmental and subsurface conditions and information regarding the presence of pollutants at the Project site. Upon receipt of a written request from the Design-Builder, the Owner shall also provide surveys describing physical characteristics, legal limitations and utility locations for the site of the Project, and a legal description of the site under the Owner's control.

§ 7.2.3 The Owner shall promptly obtain easements, zoning variances, and legal authorizations or entitlements regarding site utilization where essential to the execution of the Project.

§ 7.2.4 The Owner shall cooperate with the Design-Builder in securing building and other permits, licenses and inspections.

§ 7.2.5 The services, information, surveys and reports required to be provided by the Owner under this Agreement, shall be furnished at the Owner's expense, and except as otherwise specifically provided in this Agreement or elsewhere in the Design-Build Documents or to the extent the Owner advises the Design-Builder to the contrary in writing, the Design-Builder shall be entitled to rely upon the accuracy and completeness thereof. In no event shall the Design-Builder be relieved of its responsibility to exercise proper precautions relating to the safe performance of the Work.

§ 7.2.6 If the Owner observes or otherwise becomes aware of a fault or defect in the Work or non-conformity with the Design-Build Documents, the Owner shall give prompt written notice thereof to the Design-Builder, and in no event later than five (5) days after becoming aware of same.

§ 7.2.7 Prior to the execution of the Design-Build Amendment, the Design-Builder may request in writing that the Owner provide reasonable evidence that the Owner has made financial arrangements to fulfill the Owner's obligations under the Design-Build Documents and the Design-Builder's Proposal. Thereafter, the Design-Builder may only request such evidence if (1) the Owner fails to make payments to the Design-Builder as the Design-Build Documents require; (2) a change in the Work materially changes the Contract Sum; or (3) the Design-Builder identifies in writing a reasonable concern regarding the Owner's ability to make payment when due. The Owner shall furnish such evidence as a condition precedent to commencement or continuation of the Work or the portion of the Work affected by a material change. Any delays by the Owner in this regard shall entitle Design-Builder to reasonable adjustments in Contract Sum or, if prior to execution of the Design-Build Amendment, the Design-Builder's compensation, and Contract Time. After the Owner furnishes the evidence, the Owner shall not materially vary such financial arrangements without prior notice to the Design-Builder.

§ 7.2.8 Except as otherwise provided in the Design-Build Documents or when direct communications have been specially authorized, the Owner shall communicate through the Design-Builder with persons or entities employed or retained by the Design-Builder with apparent or stated authority to receive such communications.

§ 7.2.9 Unless required by the Design-Build Documents to be provided by the Design-Builder, the Owner shall, upon request from the Design-Builder, furnish the services of geotechnical engineers or other consultants for investigation of subsurface, air, environmental, and water conditions when such services are reasonably necessary to properly carry out the design services furnished by the Design-Builder. In such event, the Design-Builder shall specify the services required. Such services may include, but are not limited to, test borings, test pits, determinations of soil bearing values, percolation

tests, evaluations of hazardous materials, ground corrosion and resistivity tests, and necessary operations for anticipating subsoil conditions. The services of geotechnical engineer(s) or other consultants shall include preparation and submission of all appropriate reports and professional recommendations. The Owner shall disclose the results and reports of all such investigation and/or testing conducted for the Project to the Design-Builder within fifteen (15) days of the Owner becoming aware of such results and/or receiving such reports.

§ 7.2.10 The Owner shall purchase and maintain insurance as set forth in Exhibit B.

§ 7.3 Submittals

§ 7.3.1 The Owner shall review and approve or take other appropriate action on Submittals when requested by Design-Builder. Review of Submittals is not conducted for the purpose of determining the accuracy and completeness of other details, such as dimensions and quantities; or for substantiating instructions for installation or performance of equipment or systems; or for determining that the Submittals are in conformance with the Design-Build Documents, all of which remain the responsibility of the Design-Builder as required by the Design-Build Documents. The Owner's action will be taken in accordance with the submittal schedule approved by the Owner or, in the absence of an approved submittal schedule, with reasonable promptness while allowing sufficient time in the Owner's judgment to permit adequate review. Any delays by the Owner in this regard shall entitle Design-Builder to reasonable adjustments in Contract Sum or, if prior to execution of the Design-Build Amendment, the Design-Builder's compensation, and Contract Time. The Owner's review of Submittals shall not relieve the Design-Builder of the obligations under Sections 3.1.11, 3.1.12, and 5.2.3. The Owner's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Owner, of any construction means, methods, techniques, sequences or procedures. The Owner's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

§ 7.3.2 Upon review of the Submittals required by the Design-Build Documents, the Owner shall promptly notify the Design-Builder of any claims of non-conformance with the Design-Build Documents the Owner discovers.

§ 7.4 Visits to the site by the Owner shall not be construed to create an obligation on the part of the Owner to make on-site inspections to check the quality or quantity of the Work. The Owner shall neither have control over or charge of, nor be responsible for, the construction means, methods, techniques, sequences or procedures, or for the safety precautions and programs in connection with the Work, because these are solely the Design-Builder's rights and responsibilities under the Design-Build Documents.

§ 7.5 The Owner shall not be responsible for the Design-Builder's failure to perform the Work in accordance with the requirements of the Design-Build Documents. The Owner shall not have control over or charge of, and will not be responsible for acts or omissions of the Design-Builder, Architect, Consultants, Contractors, or their agents or employees, or any other persons or entities performing portions of the Work for the Design-Builder.

§ 7.6 The Owner has the authority to reject Work that does not conform to the Design-Build Documents by giving written notice to the Design-Builder. The Owner shall have authority to require inspection or testing of the Work in accordance with Section 15.5.2, whether or not such Work is fabricated, installed or completed. However, neither this authority of the Owner nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Owner to the Design-Builder, the Architect, Consultants, Contractors, material and equipment suppliers, their agents or employees, or other persons or entities performing portions of the Work.

§ 7.7 The Owner and Design-Builder shall mutually determine the date or dates of Substantial Completion in accordance with Section 9.8 and the date of final completion in accordance with Section 9.10.

§ 7.8 Owner's Right to Stop Work

If the Design-Builder fails to correct Work which is not in accordance with the requirements of the Design-Build Documents as required by Section 11.2 or persistently fails to carry out Work in accordance with the Design-Build Documents, the Owner may issue a written order to the Design-Builder to stop the Work, or any portion thereof, until the cause for such order has been eliminated; however, the right of the Owner to stop the Work shall not give rise to a duty on the part of the Owner to exercise this right for the benefit of the Design-Builder or any other person or entity, except to the extent required by Section 5.13.1.3.

§ 7.9 Owner's Right to Carry Out the Work

If the Design-Builder defaults or neglects to carry out the Work in accordance with the Design-Build Documents and fails within a ten-day period after receipt of written notice from the Owner to commence and continue correction of such default or neglect with diligence and promptness, the Owner may, without prejudice to other remedies the Owner may have, correct such deficiencies. In such case, an appropriate Change Order shall be issued deducting from payments then or thereafter due the Design-Builder the reasonable cost of correcting such deficiencies. If payments then or thereafter due the Design-Builder are not sufficient to cover such amounts, the Design-Builder shall pay the difference to the Owner.

ARTICLE 8 TIME

§ 8.1 Progress and Completion

§ 8.1.1 Time limits stated in the Design-Build Documents are of the essence of the Contract. By executing the Design-Build Amendment the Design-Builder confirms that the Contract Time is a reasonable period for performing the Work.

§ 8.1.2 The Design-Builder shall not, except by agreement of the Owner in writing, commence the Work prior to the effective date of insurance, other than property insurance, required by this Contract. The Contract Time shall not be adjusted as a result of the Design-Builder's failure to obtain insurance required under this Contract.

§ 8.1.3 The Design-Builder shall proceed expeditiously with adequate forces and shall achieve Substantial Completion within the Contract Time.

§ 8.2 Delays and Extensions of Time

§ 8.2.1 If the Design-Builder is delayed at any time in the commencement or progress of the Work by an act or neglect of the Owner or of a consultant or separate contractor employed by the Owner; or by changes ordered in the Work by the Owner; or by labor disputes, fire, unusual delay in deliveries, unavoidable casualties, weather, drying of soil due to rain events or other causes beyond the Design-Builder's control; or by delay authorized by the Owner pending mediation and binding dispute resolution or by other causes that the Owner determines may justify delay, then the Contract Time shall be extended by Change Order an amount of time equal to the delay.

§ 8.2.2 Claims relating to time shall be made in accordance with applicable provisions of Article 14.

§ 8.2.3 This Section 8.2 does not preclude recovery of damages for delay by either party under other provisions of the Design-Build Documents.

ARTICLE 9 PAYMENT APPLICATIONS AND PROJECT COMPLETION

§ 9.1 Contract Sum

The Contract Sum is stated in Article 2 and/or Design Build Amendment.

§ 9.2 Schedule of Values

Where the Contract Sum is based on a stipulated sum or Guaranteed Maximum Price, the Design-Builder, prior to the first Application for Payment after execution of the Design-Build Amendment shall submit to the Owner a schedule of values allocating the entire Contract Sum to the various portions of the Work and prepared in such form and supported by such data to substantiate its accuracy as the Owner may require. This schedule, unless objected to by the Owner, shall be used as a basis for reviewing the Design-Builder's Applications for Payment.

§ 9.3 Applications for Payment

§ 9.3.1 At least ten days before the date established for each progress payment, the Design-Builder shall submit to the Owner an itemized Application for Payment for completed portions of the Work. The application shall be notarized, if required, and shall reflect retainage if provided for in the Design-Build Documents.

§ 9.3.2 Unless otherwise provided in the Design-Build Documents, payments shall be made for services provided as well as materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work. If approved in advance by the Owner, payment may similarly be made for materials and equipment suitably stored off the site at a

location agreed upon in writing. Payment for materials and equipment stored on or off the site shall be conditioned upon compliance by the Design-Builder with procedures satisfactory to the Owner to establish the Owner's title to such materials and equipment or otherwise protect the Owner's interest, and shall include the costs of applicable insurance, storage and transportation to the site for such materials and equipment stored off the site.

§ 9.3.3 The Design-Builder warrants that title to all Work, other than Instruments of Service, covered by an Application for Payment will pass to the Owner no later than the time of payment. The Design-Builder further warrants that, upon submittal of an Application for Payment, all Work for which Certificates for Payment have been previously issued and payments received from the Owner shall, to the best of the Design-Builder's knowledge, information and belief, be free and clear of liens, claims, security interests or encumbrances in favor of the Design-Builder, Architect, Consultants, Contractors, material suppliers, or other persons or entities entitled to make a claim by reason of having provided labor, materials and equipment relating to the Work.

§ 9.4 Certificates for Payment

The Owner shall, within seven days after receipt of the Design-Builder's Application for Payment, issue to the Design-Builder a Certificate for Payment indicating the amount the Owner determines is properly due, and notify the Design-Builder in writing of the Owner's reasons for withholding certification in whole or in part as provided in Section 9.5.1.

§ 9.5 Decisions to Withhold Certification

§ 9.5.1 The Owner may withhold a Certificate for Payment in whole or in part to the extent reasonably necessary to protect the Owner due to the Owner's determination that the Work has not progressed to the point indicated in the Design-Builder's Application for Payment, or the quality of the Work is not in accordance with the Design-Build Documents. If the Owner is unable to certify payment in the amount of the Application, the Owner will notify the Design-Builder as provided in Section 9.4. The Owner and Design-Builder shall cooperate and act in good faith with each other to promptly resolve any such disputes and allow Design-Builder to receive Certificate(s) of Payment. If the Design-Builder and Owner cannot agree on a revised amount, the Owner will promptly issue a Certificate for Payment for the amount that the Owner deems to be due and owing. The Owner shall not unreasonably withhold Certificates of Payment, but may withhold a Certificate for Payment or, because of subsequently discovered evidence, may nullify the whole or a part of a Certificate for Payment previously issued to such extent as may be reasonably necessary to protect the Owner from loss for which the Design-Builder is responsible because of

.1 defective Work, including design and construction, not remedied;
.2 third party claims filed or reasonable evidence indicating probable filing of such claims unless security acceptable to the Owner is provided by the Design-Builder;
.3 failure of the Design-Builder to make payments properly to the Architect, Consultants, Contractors or others, for services, labor, materials or equipment;
.4 reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum;
.5 damage to the Owner or a separate contractor;
.6 reasonable evidence that the Work will not be completed within the Contract Time, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay; or
.7 repeated failure to carry out the Work in accordance with the Design-Build Documents.

§ 9.5.2 When the above reasons for withholding certification are removed, certification will be made for amounts previously withheld.

§ 9.5.3 If the Owner withholds certification for payment under Section 9.5.1.3, the Owner may, at its sole option, issue joint checks to the Design-Builder and to the Architect or any Consultants, Contractor, material or equipment suppliers, or other persons or entities providing services or work for the Design-Builder to whom the Design-Builder failed to make payment for Work properly performed or material or equipment suitably delivered.

§ 9.6 Progress Payments

§ 9.6.1 After the Owner has issued a Certificate for Payment, the Owner shall make payment in the manner and within the time provided in the Design-Build Documents.

§ 9.6.2 The Design-Builder shall pay each Architect, Consultant, Contractor, and other person or entity providing services

or work for the Design-Builder no later than the time period required by applicable law, but in no event more than seven days after receipt of payment from the Owner the amount to which the Architect, Consultant, Contractor, and other person or entity providing services or work for the Design-Builder is entitled, reflecting percentages actually retained from payments to the Design-Builder on account of the portion of the Work performed by the Architect, Consultant, Contractor, or other person or entity. The Design-Builder shall, by appropriate agreement with each Architect, Consultant, Contractor, and other person or entity providing services or work for the Design-Builder, require each Architect, Consultant, Contractor, and other person or entity providing services or work for the Design-Builder to make payments to subconsultants and subcontractors in a similar manner.

§ 9.6.3 The Owner will, on request and if practicable, furnish to the Architect, a Consultant, Contractor, or other person or entity providing services or work for the Design-Builder, information regarding percentages of completion or amounts applied for by the Design-Builder and action taken thereon by the Owner on account of portions of the Work done by such Architect, Consultant, Contractor or other person or entity providing services or work for the Design-Builder.

§ 9.6.4 The Owner has the right to request written evidence from the Design-Builder that the Design-Builder has properly paid the Architect, Consultants, Contractors, or other person or entity providing services or work for the Design-Builder, amounts paid by the Owner to the Design-Builder for the Work. If the Design-Builder fails to furnish such evidence within seven days, the Owner shall have the right to contact the Architect, Consultants, and Contractors to ascertain whether they have been properly paid. The Owner shall have no obligation to pay or to see to the payment of money to a Consultant or Contractor, except as may otherwise be required by law.

§ 9.6.5 Design-Builder payments to material and equipment suppliers shall be treated in a manner similar to that provided in Sections 9.6.2, 9.6.3 and 9.6.4.

§ 9.6.6 A Certificate for Payment, a progress payment, or partial or entire use or occupancy of the Project by the Owner shall not constitute acceptance of Work not in accordance with the Design-Build Documents.

§ 9.6.7 Unless the Design-Builder provides the Owner with a payment bond in the full penal sum of the Contract Sum, payments received by the Design-Builder for Work properly performed by the Architect, Consultants, Contractors and other person or entity providing services or work for the Design-Builder, shall be held by the Design-Builder for the Design-Builder, for which payment was made by the Owner. Nothing contained herein shall require money to be placed in a separate account and not commingled with money of the Design-Builder, shall create any fiduciary liability or tort liability on the part of the Design-Builder for breach of trust or shall entitle any person or entity to an award of punitive damages against the Design-Builder for breach of the requirements of this provision.

§ 9.7 Failure of Payment

If the Owner does not issue a Certificate for Payment or provide written notice of the Owner's reasons for withholding certification within the time required by the Design-Build Documents, then the Design-Builder may, upon seven additional days' written notice to the Owner, stop the Work until payment of the amount owing has been received. The Contract Time shall be extended appropriately and the Contract Sum shall be increased by the amount of the Design-Builder's reasonable costs of shut-down, delay and start-up, plus interest as provided for in the Design-Build Documents.

§ 9.8 Substantial Completion

§ 9.8.1 Substantial Completion is the stage in the progress of the Work when the Work or designated portion thereof is sufficiently complete in accordance with the Design-Build Documents so that the Owner can occupy or utilize the Work for its intended use. The date of Substantial Completion is the date certified by the Owner in accordance with this Section 9.8.

§ 9.8.2 When the Design-Builder considers that the Work, or a portion thereof which the Owner agrees to accept separately, is substantially complete, the Design-Builder shall prepare and submit to the Owner a comprehensive list of items to be completed or corrected prior to final payment. Failure to include an item on such list does not alter the responsibility of the Design-Builder to complete all Work in accordance with the Design-Build Documents.

§ 9.8.3 Upon receipt of the Design-Builder's list, the Owner and Design-Builder shall make an inspection to determine whether the Work or designated portion thereof is substantially complete. If the Owner's inspection discloses any item, whether or not included on the Design-Builder's list, which is not sufficiently complete in accordance with the Design-Build Documents so that the Owner can occupy or utilize the Work or designated portion thereof for its intended use, the Design-Builder shall, before issuance of the Certificate of Substantial Completion, complete or correct such item upon notification by the Owner. In such case, the Design-Builder shall then submit a request for another inspection by the Owner and Design-Builder to determine Substantial Completion.

§ 9.8.4 Prior to issuance of the Certificate of Substantial Completion under Section 9.8.5, the Owner and Design-Builder shall discuss and then determine the parties' obligations to obtain and maintain property insurance following issuance of the Certificate of Substantial Completion.

§ 9.8.5 When the Work or designated portion thereof is substantially complete, the Design-Builder will prepare for the Owner's signature a Certificate of Substantial Completion that shall, upon the Owner's signature, establish the date of Substantial Completion; establish responsibilities of the Owner and Design-Builder for security, maintenance, heat, utilities, damage to the Work and insurance; and fix the time within which the Design-Builder shall finish all items on the list accompanying the Certificate. Warranties required by the Design-Build Documents shall commence on the date of Substantial Completion of the Work or designated portion thereof unless otherwise provided in the Certificate of Substantial Completion.

§ 9.8.6 The Certificate of Substantial Completion shall be submitted by the Design-Builder to the Owner for written acceptance of responsibilities assigned to it in the Certificate. Upon the Owner's acceptance, and consent of surety, if any, the Owner shall make payment of retainage applying to the Work or designated portion thereof. Payment shall be adjusted for Work that is incomplete or not in accordance with the requirements of the Design-Build Documents.

§ 9.9 Partial Occupancy or Use

§ 9.9.1 The Owner may occupy or use any completed or partially completed portion of the Work at any stage when such portion is designated by separate agreement with the Design-Builder, provided such occupancy or use is consented to, by endorsement or otherwise, by the insurer providing property insurance and authorized by public authorities having jurisdiction over the Project. Such partial occupancy or use may commence whether or not the portion is substantially complete, provided the Owner and Design-Builder have accepted in writing the responsibilities assigned to each of them for payments, retainage, if any, security, maintenance, heat, utilities, damage to the Work and insurance, and have agreed in writing concerning the period for correction of the Work and commencement of warranties required by the Design-Build Documents. When the Design-Builder considers a portion substantially complete, the Design-Builder shall prepare and submit a list to the Owner as provided under Section 9.8.2. Consent of the Design-Builder to partial occupancy or use shall not be unreasonably withheld. The stage of the progress of the Work shall be determined by written agreement between the Owner and Design-Builder.

§ 9.9.2 Immediately prior to such partial occupancy or use, the Owner and Design-Builder shall jointly inspect the area to be occupied or portion of the Work to be used in order to determine and record the condition of the Work.

§ 9.9.3 Unless otherwise agreed upon, partial occupancy or use of a portion or portions of the Work shall not constitute acceptance of Work not complying with the requirements of the Design-Build Documents.

§ 9.10 Final Completion and Final Payment

§ 9.10.1 Upon receipt of the Design-Builder's written notice that the Work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Owner will promptly make such inspection. When the Owner finds the Work acceptable under the Design-Build Documents and the Contract fully performed, the Owner will, subject to Section 9.10.2, promptly issue a final Certificate for Payment.

§ 9.10.2 Neither final payment nor any remaining retained percentage shall become due until the Design-Builder submits to the Owner the following documents if, and to the extent requested by the Owner: (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work, for which the Owner or the Owner's property might be responsible or encumbered, (less amounts withheld by Owner) have been paid or otherwise satisfied, (2) a

certificate evidencing that insurance required by the Design-Build Documents to remain in force after final payment is currently in effect, (3) a written statement that the Design-Builder knows of no substantial reason that the insurance will not be renewable to cover the period required by the Design-Build Documents, (4) consent of surety, if any, to final payment, (5) as-constructed record copy of the Construction Documents marked to indicate field changes and selections made during construction, (6) manufacturer's warranties, product data, and maintenance and operations manuals, and (7) if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts, or releases and waivers of liens, claims, security interests, or encumbrances, arising out of the Contract, to the extent and in such form as may be designated by the Owner. If an Architect, a Consultant, or a Contractor, or other person or entity providing services or work for the Design-Builder, refuses to furnish a release or waiver required by the Owner, the Design-Builder may furnish a bond satisfactory to the Owner to indemnify the Owner against such liens, claims, security interests, or encumbrances. If such liens, claims, security interests, or encumbrances remains unsatisfied after payments are made, the Design-Builder shall refund to the Owner all money that the Owner may be compelled to pay in discharging such liens, claims, security interests, or encumbrances, including all costs and reasonable attorneys' fees.

§ 9.10.3 If, after Substantial Completion of the Work, final completion thereof is materially delayed through no fault of the Design-Builder or by issuance of Change Orders affecting final completion, the Owner shall, upon application by the Design-Builder, and without terminating the Contract, make payment of the balance due for that portion of the Work fully completed and accepted. If the remaining balance for Work not fully completed or corrected is less than retainage stipulated in the Design-Build Documents, and if bonds have been furnished, the written consent of surety to payment of the balance due for that portion of the Work fully completed and accepted shall be submitted by the Design-Builder to the Owner prior to issuance of payment. Such payment shall be made under terms and conditions governing final payment, except that it shall not constitute a waiver of claims.

§ 9.10.4 The making of final payment shall constitute a waiver of Claims by the Owner except those arising from

- **.1** liens, Claims, security interests or encumbrances arising out of the Contract and unsettled;
- **.2** failure of the Work to comply with the requirements of the Design-Build Documents; or
- **.3** terms of special warranties required by the Design-Build Documents.

§ 9.10.5 Acceptance of final payment by the Design-Builder shall constitute a waiver of claims by the Design-Builder except those previously made in writing and identified by the Design-Builder as unsettled at the time of final Application for Payment.

ARTICLE 10 PROTECTION OF PERSONS AND PROPERTY

§ 10.1 Safety Precautions and Programs

The Design-Builder shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Contract.

§ 10.2 Safety of Persons and Property

§ 10.2.1 The Design-Builder shall be responsible for precautions for the safety of, and reasonable protection to prevent damage, injury or loss to

- **.1** employees on the Work and other persons who may be affected thereby;
- **.2** the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the Design-Builder or the Architect, Consultants, or Contractors, or other person or entity providing services or work for the Design-Builder; and
- **.3** other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, or structures and utilities not designated for removal, relocation or replacement in the course of construction.

§ 10.2.2 The Design-Builder shall comply with, and give notices required by, applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities, bearing on safety of persons or property, or their protection from damage, injury or loss.

§ 10.2.3 The Design-Builder shall implement, erect, and maintain, as required by existing conditions and performance of the Contract, reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations, and notify owners and users of adjacent sites and utilities of the safeguards

and protections.

§ 10.2.4 When use or storage of explosives or other hazardous materials or equipment, or unusual methods, are necessary for execution of the Work, the Design-Builder shall exercise utmost care, and carry on such activities under supervision of properly qualified personnel.

§ 10.2.5 The Design-Builder shall promptly remedy damage and loss (other than damage or loss insured under property insurance required by the Design-Build Documents) to property referred to in Sections 10.2.1.2 and 10.2.1.3, caused in whole or in part by the Design-Builder, the Architect, a Consultant, a Contractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which the Design-Builder is responsible under Sections 10.2.1.2 and 10.2.1.3; except damage or loss attributable to acts or omissions of the Owner, or anyone directly or indirectly employed by the Owner, or by anyone for whose acts the Owner may be liable, and not attributable to the fault or negligence of the Design-Builder. The foregoing obligations of the Design-Builder are in addition to the Design-Builder's obligations under Section 3.1.14.

§ 10.2.6 The Design-Builder shall designate a responsible member of the Design-Builder's organization, at the site, whose duty shall be the prevention of accidents. This person shall be the Design-Builder's superintendent unless otherwise designated by the Design-Builder in writing to the Owner.

§ 10.2.7 The Design-Builder shall not permit any part of the construction or site to be loaded so as to cause damage or create an unsafe condition.

§ 10.2.8 Injury or Damage to Person or Property. If the Owner or Design-Builder suffers injury or damage to person or property because of an act or omission of the other, or of others for whose acts such party is legally responsible, written notice of the injury or damage, whether or not insured, shall be given to the other party within a reasonable time not exceeding 21 days after discovery. The notice shall provide sufficient detail to enable the other party to investigate the matter.

§ 10.3 Hazardous Materials

§ 10.3.1 The Design-Builder is responsible for compliance with any requirements included in the Design-Build Documents regarding hazardous materials. If the Design-Builder encounters a hazardous material or substance not addressed in the Design-Build Documents and if reasonable precautions will be inadequate to prevent foreseeable bodily injury or death to persons resulting from a material or substance, including but not limited to asbestos or polychlorinated biphenyl (PCB), encountered on the site by the Design-Builder, the Design-Builder shall, upon recognizing the condition, immediately stop Work in the affected area and report the condition to the Owner in writing. Any delays to Design-Builder caused by such stoppage in Work shall entitle Design-Builder to an extension of Contract Time and an increase in the Contract Sum, including reasonable additional costs of shut-down, delay and start-up.

§ 10.3.2 Upon receipt of the Design-Builder's written notice, the Owner shall obtain the services of a licensed laboratory to verify the presence or absence of the material or substance reported by the Design-Builder and, in the event such material or substance is found to be present, to cause it to be rendered harmless. Unless otherwise required by the Design-Build Documents, the Owner shall furnish in writing to the Design-Builder the names and qualifications of persons or entities who are to perform tests verifying the presence or absence of such material or substance or who are to perform the task of removal or safe containment of such material or substance. The Design-Builder will promptly reply to the Owner in writing stating whether or not the Design-Builder has reasonable objection to the persons or entities proposed by the Owner. If the Design-Builder has an objection to a person or entity proposed by the Owner, the Owner shall propose another to whom the Design-Builder has no reasonable objection. When the material or substance has been rendered harmless, Work in the affected area shall resume upon written agreement of the Owner and Design-Builder. By Change Order, the Contract Time shall be extended appropriately and the Contract Sum shall be increased in the amount of the Design-Builder's reasonable additional costs of shut-down, delay and start-up.

§ 10.3.3 To the fullest extent permitted by law, the Owner shall indemnify and hold harmless the Design-Builder, the Architect, Consultants, and Contractors, and employees of any of them, from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work in the affected area, if in fact the material or substance presents the risk of bodily injury or death as described in Section 10.3.1 and has not been rendered harmless, provided that such claim, damage, loss or expense is attributable to bodily injury,

sickness, disease or death, or to injury to, or destruction of, tangible property (other than the Work itself), except to the extent that such damage, loss or expense is due to the fault or negligence of the party seeking indemnity.

§ 10.3.4 The Owner shall not be responsible under this Section 10.3 for materials or substances the Design-Builder brings to the site unless such materials or substances are required by the Owner's Criteria. The Owner shall be responsible for materials or substances required by the Owner's Criteria, except to the extent of the Design-Builder's fault or negligence in the use and handling of such materials or substances.

§ 10.3.5 The Design-Builder shall indemnify the Owner for the cost and expense the Owner incurs (1) for remediation of a material or substance the Design-Builder brings to the site and negligently handles, or (2) where the Design-Builder fails to perform its obligations under Section 10.3.1, except to the extent that the cost and expense are due to the Owner's fault or negligence.

§ 10.3.6 If, without negligence on the part of the Design-Builder, the Design-Builder is held liable by a government agency for the cost of remediation of a hazardous material or substance solely by reason of performing Work as required by the Design-Build Documents, the Owner shall indemnify the Design-Builder for all cost and expense thereby incurred.

§ 10.4 Emergencies

In an emergency affecting safety of persons or property, the Design-Builder shall act, at the Design-Builder's discretion, to prevent threatened damage, injury or loss.

ARTICLE 11 UNCOVERING AND CORRECTION OF WORK

§ 11.1 Uncovering of Work

The Owner may request to examine a portion of the Work that the Design-Builder has covered to determine if the Work has been performed in accordance with the Design-Build Documents. Such requests shall only be made as reasonably necessary to facilitate the proper execution of the Work and Substantial Completion of the Project. If such Work is in accordance with the Design-Build Documents, the Owner and Design-Builder shall execute a Change Order to adjust the Contract Time and Contract Sum, as appropriate. If such Work is not in accordance with the Design-Build Documents, the costs of uncovering and correcting the Work shall be at the Design-Builder's expense and the Design-Builder shall not be entitled to a change in the Contract Time unless the condition was caused by the Owner or a separate contractor in which event the Owner shall be responsible for payment of such costs and the Contract Time will be adjusted as appropriate.

§ 11.2 Correction of Work

§ 11.2.1 Before or After Substantial Completion. The Design-Builder shall promptly correct Work rejected by the Owner or failing to conform to the requirements of the Design-Build Documents, whether discovered before or after Substantial Completion and whether or not fabricated, installed or completed. Costs of correcting such rejected Work, including additional testing and inspections, the cost of uncovering and replacement, and compensation for any design consultant employed by the Owner whose expenses and compensation were made necessary thereby, shall be in accordance with section 5.1.6.3. Design-Builder reserves the right to pursue recovery of such costs from any responsible architect, contractor, subcontractor, consultant, and/or other entity, as applicable.

§ 11.2.2 After Substantial Completion

§ 11.2.2.1 In addition to the Design-Builder's obligations under Section 3.1.12, if, within one year after the earlier date of (1) Substantial Completion of the Work or designated portion thereof, or (2) partial use and/or occupancy by the Owner and the commencement of warranties established under Section 9.9.1, or (3) by terms of an applicable special warranty required by the Design-Build Documents, any of the Work is found not to be in accordance with the requirements of the Design-Build Documents, the Design-Builder shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Design-Builder a written acceptance of such condition. The Owner shall give such notice promptly after discovery of the condition. During the one-year period for correction of the Work, if the Owner fails to notify the Design-Builder and give the Design-Builder an opportunity to make the correction, the Owner waives the rights to require correction by the Design-Builder and to make a claim for breach of warranty. If the Design-Builder fails to correct nonconforming Work within a reasonable time during that period after receipt of notice from the

Owner, the Owner may correct it in accordance with Section 7.9.

§ 11.2.2.2 The one-year period for correction of Work shall be extended with respect to portions of Work first performed after partial use and/or occupancy by the Owner by the period of time between partial use and/or occupancy by the Owner and the actual completion of that portion of the Work.
§ 11.2.2.3 The one-year period for correction of Work shall not be extended by corrective Work performed by the Design-Builder pursuant to this Section 11.2.

§ 11.2.3 The Design-Builder shall remove from the site portions of the Work that are not in accordance with the requirements of the Design-Build Documents and are neither corrected by the Design-Builder nor accepted by the Owner.

§ 11.2.4 The Design-Builder shall correct any destroyed or damaged construction of the Owner or separate contractors, whether completed or partially completed, caused by the Design-Builder's correction or removal of Work that is not in accordance with the requirements of the Design-Build Documents.

§ 11.2.5 Nothing contained in this Section 11.2 shall be construed to establish a period of limitation with respect to other obligations the Design-Builder has under the Design-Build Documents. Establishment of the one-year period for correction of Work as described in Section 11.2.2 relates only to the specific obligation of the Design-Builder to correct the Work, and has no relationship to the time within which the obligation to comply with the Design-Build Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Design-Builder's liability with respect to the Design-Builder's obligations other than specifically to correct the Work.

§ 11.3 Acceptance of Nonconforming Work

If the Owner prefers to accept Work that is not in accordance with the requirements of the Design-Build Documents, the Owner may do so instead of requiring its removal and correction, in which case the Contract Sum will be adjusted as appropriate and equitable. Such adjustment shall be effected whether or not final payment has been made.

ARTICLE 12 COPYRIGHTS AND LICENSES

§ 12.1 Drawings, specifications, and other documents furnished by the Design-Builder, including those in electronic form, are Instruments of Service. The Design-Builder, and the Architect, Consultants, Contractors, and any other person or entity providing services or work for any of them, shall be deemed the authors and owners of their respective Instruments of Service, including the Drawings and Specifications, and shall retain all common law, statutory and other reserved rights, including copyrights. Submission or distribution of Instruments of Service to meet official regulatory requirements, or for similar purposes in connection with the Project, is not to be construed as publication in derogation of the reserved rights of the Design-Builder and the Architect, Consultants, and Contractors, and any other person or entity providing services or work for any of them.

§ 12.2 The Design-Builder and the Owner warrant that in transmitting Instruments of Service, or any other information, the transmitting party is the copyright owner of such information or has permission from the copyright owner to transmit such information for its use on the Project.

§ 12.3 Upon execution of the Agreement, the Design-Builder grants to the Owner a limited, irrevocable and non-exclusive license to use the Instruments of Service solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations, including prompt payment of all sums when due, under the Design-Build Documents. The license granted under this section permits the Owner to authorize its consultants and separate contractors to reproduce applicable portions of the Instruments of Service solely and exclusively for use in performing services or construction for the Project. If the Design-Builder rightfully terminates this Agreement for cause as provided in Section 13.1.4 or 13.2.1 the license granted in this Section 12.3 shall terminate.

§ 12.3.1 The Design-Builder shall obtain rights from the Architect, Consultants, and Contractors, that will allow the Design-Builder to satisfy its obligations to the Owner under this Article 12. The Design-Builder's licenses from the Architect and its Consultants and Contractors shall also allow the Owner, in the event this Agreement is terminated for any reason other than the default of the Owner or in the event the Design-Builder's Architect, Consultants, or Contractors terminate their agreements with the Design-Builder for cause, to obtain a limited, irrevocable and non-exclusive license

solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner (1) agrees to pay to the Architect, Consultant or Contractor all amounts due, and (2) provide the Architect, Consultant or Contractor with the Owner's written agreement to indemnify and hold harmless the Architect, Consultant or Contractor from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's alteration or use of the Instruments of Service.

§ 12.3.2 In the event the Owner alters the Instruments of Service without the author's written authorization or uses the Instruments of Service without retaining the authors of the Instruments of Service, the Owner releases the Design-Builder, Architect, Consultants, Contractors and any other person or entity providing services or work for any of them, from all claims and causes of action arising from or related to such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless the Design-Builder, Architect, Consultants, Contractors and any other person or entity providing services or work for any of them, from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's alteration or use of the Instruments of Service under this Section 12.3.2. The terms of this Section 12.3.2 shall not apply if the Owner rightfully terminates this Agreement for cause under Sections 13.1.4 or 13.2.2.

ARTICLE 13 TERMINATION OR SUSPENSION

§ 13.1 Termination or Suspension Prior to Execution of the Design-Build Amendment

§ 13.1.1 If the Owner fails to make payments to the Design-Builder for Work prior to execution of the Design-Build Amendment in accordance with this Agreement, such failure shall be considered substantial nonperformance and cause for termination or, at the Design-Builder's option, cause for suspension of performance of services under this Agreement. If the Design-Builder elects to suspend the Work, the Design-Builder shall give seven days' written notice to the Owner before suspending the Work. In the event of a suspension of the Work, the Design-Builder shall have no liability to the Owner for delay or damage caused by the suspension of the Work. Before resuming the Work, the Design-Builder shall be paid all sums due prior to suspension and any expenses incurred in the interruption and resumption of the Design-Builder's Work. The Design-Builder's compensation for, and time to complete, the remaining Work shall be equitably adjusted.

§ 13.1.2 If the Owner suspends the Project, the Design-Builder shall be compensated for the Work performed prior to notice of such suspension. When the Project is resumed, the Design-Builder shall be compensated for expenses incurred in the interruption and resumption of the Design-Builder's Work. The Design-Builder's compensation for, and time to complete, the remaining Work shall be equitably adjusted.

§ 13.1.3 If the Owner suspends the Project for more than 90 cumulative days for reasons other than the fault of the Design-Builder, the Design-Builder may terminate this Agreement by giving not less than seven days' written notice

§ 13.1.4 Either party may terminate this Agreement upon not less than seven days' written notice should the other party fail substantially to perform in accordance with the terms of this Agreement through no fault of the party initiating the termination.

§ 13.1.5 The Owner may terminate this Agreement upon not less than seven days' written notice to the Design-Builder for the Owner's convenience and without cause.

§ 13.1.6 In the event of termination not the fault of the Design-Builder, the Design-Builder shall be compensated for Work performed prior to termination, together with Reimbursable Expenses then due and any other expenses directly attributable to termination for which the Design-Builder is not otherwise compensated, including Contractor's fee. In no event shall the Design-Builder's compensation under this Section 13.1.6 be greater than the compensation set forth in Section 2.1.

§ 13.2 Termination or Suspension Following Execution of the Design-Build Amendment

§ 13.2.1 Termination by the Design-Builder

§ 13.2.1.1 The Design-Builder may terminate the Contract if the Work is stopped for a period of 30 consecutive days

through no act or fault of the Design-Builder, the Architect, a Consultant, or a Contractor, or their agents or employees, or any other persons or entities performing portions of the Work under direct or indirect contract with the Design-Builder, for any of the following reasons:

.1 Issuance of an order of a court or other public authority having jurisdiction that requires all Work to be stopped;

.2 An act of government, such as a declaration of national emergency that requires all Work to be stopped;

.3 Because the Owner has not issued a Certificate for Payment and has not notified the Design-Builder of the reason for withholding certification as provided in Section 9.5.1, or because the Owner has not made payment on a Certificate for Payment within the time stated in the Design-Build Documents; or

.4 The Owner has failed to furnish to the Design-Builder promptly, upon the Design-Builder's request, reasonable evidence as required by Section 7.2.7.

§ 13.2.1.2 The Design-Builder may terminate the Contract if, through no act or fault of the Design-Builder, the Architect, a Consultant, a Contractor, or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Design-Builder, repeated suspensions, delays or interruptions of the entire Work by the Owner as described in Section 13.2.3 constitute in the aggregate more than 100 percent of the total number of days scheduled for completion, or 120 days in any 365-day period, whichever is less.

§ 13.2.1.3 If one of the reasons described in Section 13.2.1.1 or 13.2.1.2 exists, the Design-Builder may, upon seven days' written notice to the Owner, terminate the Contract and recover from the Owner payment for Work executed, including reasonable overhead and profit, costs incurred by reason of such termination, and damages.

§ 13.2.1.4 If the Work is stopped for a period of 60 consecutive days through no act or fault of the Design-Builder or any other persons or entities performing portions of the Work under contract with the Design-Builder because the Owner has repeatedly failed to fulfill the Owner's obligations under the Design-Build Documents with respect to matters important to the progress of the Work, the Design-Builder may, upon seven additional days' written notice to the Owner, terminate the Contract and recover from the Owner as provided in Section 13.2.1.3.

§ 13.2.2 Termination by the Owner For Cause

§ 13.2.2.1 The Owner may terminate the Contract if the Design-Builder

.1 fails to submit the Proposal by the date required by this Agreement, or if no date is indicated, within a reasonable time consistent with the date of Substantial Completion;

.2 repeatedly refuses or fails to supply an Architect, or enough properly skilled Consultants, Contractors, or workers or proper materials;

.3 fails to make payment to the Architect, Consultants, or Contractors for services, materials or labor in accordance with their respective agreements with the Design-Builder;

.4 repeatedly disregards applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of a public authority; or

.5 is otherwise guilty of substantial breach of a provision of the Design-Build Documents.

§ 13.2.2.2 When any of the above reasons exist, the Owner may without prejudice to any other rights or remedies of the Owner and after giving the Design-Builder and the Design-Builder's surety, if any, seven days' written notice, terminate employment of the Design-Builder and may, subject to any prior rights of the surety:

.1 Exclude the Design-Builder from the site.;

.2 Accept assignment of the Architect, Consultant and Contractor agreements pursuant to Section 3.1.15; and

.3 Finish the Work by whatever reasonable method the Owner may deem expedient. Upon written request of the Design-Builder, the Owner shall furnish to the Design-Builder a detailed accounting of the costs incurred by the Owner in finishing the Work.

§ 13.2.2.3 When the Owner terminates the Contract for one of the reasons stated in Section 13.2.2.1, the Design-Builder shall be entitled to prompt payment in accordance with the Design Build Documents for all Work performed prior to termination, but shall not be entitled to receive further payment until the Work is finished.

§ 13.2.2.4 If the unpaid balance of the Contract Sum exceeds costs of finishing the Work and other damages incurred by

the Owner and not expressly waived, such excess shall be paid to the Design-Builder. If such costs and damages exceed the unpaid balance and any other damages and disputed amounts claimed by Design-Builder, the Design-Builder shall pay the difference to the Owner. The obligation for such payments shall survive termination of the Contract.

§ 13.2.3 Suspension by the Owner for Convenience

§ 13.2.3.1 The Owner may, without cause, order the Design-Builder in writing to suspend, delay or interrupt the Work in whole or in part for such period of time as the Owner may determine subject to the provisions of this article.

§ 13.2.3.2 The Contract Sum and Contract Time shall be adjusted for increases in the cost and time caused by suspension, delay or interruption as described in Section 13.2.3.1. Adjustment of the Contract Sum shall include profit. No adjustment shall be made to the extent

.1 that performance is, was or would have been so suspended, delayed or interrupted by another cause for which the Design-Builder is responsible; or

.2 that an equitable adjustment is made or denied under another provision of the Contract.

§ 13.2.4 Termination by the Owner for Convenience

§ 13.2.4.1 The Owner may, at any time, terminate the Contract for the Owner's convenience and without cause.

§ 13.2.4.2 Upon receipt of written notice from the Owner of such termination for the Owner's convenience, the Design-Builder shall

.1 cease operations as directed by the Owner in the notice;

.2 take actions necessary, or that the Owner may direct, for the protection and preservation of the Work; and,

.3 except for Work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing Project agreements, including agreements with the Architect, Consultants, Contractors, and purchase orders, and enter into no further Project agreements and purchase orders.

§ 13.2.4.3 In case of such termination for the Owner's convenience, the Design-Builder shall be entitled to receive payment for Work executed, and costs incurred by reason of such termination, along with reasonable overhead and profit on the Work not executed.

ARTICLE 14 CLAIMS AND DISPUTE RESOLUTION

§ 14.1 Claims

§ 14.1.1 Definition. A Claim is a demand or assertion by one of the parties seeking, as a matter of right, payment of money, extensions of time, and/or other relief with respect to the terms of the Contract. The term "Claim" also includes other disputes and matters in question between the Owner and Design-Builder arising out of or relating to the Contract. The responsibility to substantiate Claims shall rest with the party making the Claim.

§ 14.1.2 Time Limits on Claims. The Owner and Design-Builder shall commence all claims and causes of action, whether in contract, tort, breach of warranty or otherwise, against the other, arising out of or related to the Contract in accordance with the requirements of the binding dispute resolution method selected in Section 1.3, within the time period specified by applicable law, but in any case not more than 10 years after the date of Substantial Completion of the Work. The Owner and Design-Builder waive all claims and causes of action not commenced in accordance with this Section 14.1.2.

§ 14.1.3 Notice of Claims

§ 14.1.3.1 Prior To Final Payment. Prior to Final Payment, Claims by either the Owner or Design-Builder must be initiated by written notice to the other party within 21 days after occurrence of the event giving rise to such Claim or within 21 days after the claimant first recognizes the condition giving rise to the Claim, whichever is later.

§ 14.1.3.2 Claims Arising After Final Payment. After Final Payment, Claims by either the Owner or Design-Builder that have not otherwise been waived pursuant to Sections 9.10.4 or 9.10.5, must be initiated by prompt written notice to the other party. The notice requirement in Section 14.1.3.1 and the Initial Decision requirement as a condition precedent to mediation in Section 14.2.1 shall not apply.

§ 14.1.4 Continuing Contract Performance. Pending final resolution of a Claim, except as otherwise agreed in writing or as

provided in Section 9.7 and Article 13, the Design-Builder shall proceed diligently with performance of the Contract and the Owner shall continue to make payments in accordance with the Design-Build Documents.

§ 14.1.5 Claims for Additional Cost. If the Design-Builder intends to make a Claim for an increase in the Contract Sum, written notice as provided herein shall be given before proceeding to execute the portion of the Work that relates to the Claim, or as soon as practicable after the discovery thereof. Prior notice is not required for Claims relating to an emergency endangering life or property arising under Section 10.4 or for Work performed under the Owner's directive.

§ 14.1.6 Claims for Additional Time

§ 14.1.6.1 If the Design-Builder intends to make a Claim for an increase in the Contract Time, written notice as provided herein shall be given. The Design-Builder's Claim shall include an estimate of cost and of probable effect of delay on progress of the Work. In the case of a continuing delay, only one Claim is necessary.

§ 14.1.6.2 If adverse weather conditions are the basis for a Claim for additional time, such Claim shall be documented by data substantiating that weather conditions had an adverse effect on the scheduled construction.

§ 14.1.7 Claims for Consequential Damages

The Design-Builder and Owner waive Claims against each other for consequential damages arising out of or relating to this Contract. This mutual waiver includes

.1 damages incurred by the Owner for rental expenses, for losses of use, income, profit, financing, business and reputation, and for loss of management or employee productivity or of the services of such persons; and

.2 damages incurred by the Design-Builder for losses of financing, business and reputation, and for loss of profit except anticipated profit arising directly from the Work.

This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination in accordance with Article 13. Nothing contained in this Section 14.1.7 shall be deemed to preclude an award of liquidated damages, when applicable, in accordance with the requirements of the Design-Build Documents.

§ 14.2 Initial Decision

§ 14.2.1 An initial decision shall be required as a condition precedent to mediation of all Claims between the Owner and Design-Builder initiated prior to the date final payment is due, excluding those arising under Sections 10.3 and 10.4 of the Agreement and Sections B.3.2.9 and B.3.2.10 of Exhibit B to this Agreement, unless 30 days have passed after the Claim has been initiated with no decision having been rendered. Unless otherwise mutually agreed in writing, the Owner shall render the initial decision on Claims.

§ 14.2.2 Procedure

§ 14.2.2.1 Claims Initiated by the Owner. If the Owner initiates a Claim, the Design-Builder shall provide a written response to Owner within ten days after receipt of the notice required under Section 14.1.3.1. Thereafter, the Owner shall render an initial decision within ten days of receiving the Design-Builder's response: (1) withdrawing the Claim in whole or in part, (2) approving the Claim in whole or in part, or (3) suggesting a compromise.

§ 14.2.2.2 Claims Initiated by the Design-Builder. If the Design-Builder initiates a Claim, the Owner will take one or more of the following actions within ten days after receipt of the notice required under Section 14.1.3.1: (1) request additional supporting data, (2) render an initial decision rejecting the Claim in whole or in part, (3) render an initial decision approving the Claim, (4) suggest a compromise or (5) indicate that it is unable to render an initial decision because the Owner lacks sufficient information to evaluate the merits of the Claim.

§ 14.2.3 In evaluating Claims, the Owner may, but shall not be obligated to, consult with or seek information from persons with special knowledge or expertise who may assist the Owner in rendering a decision. The retention of such persons shall be at the Owner's expense.

§ 14.2.4 If the Owner requests the Design-Builder to provide a response to a Claim or to furnish additional supporting

data, the Design-Builder shall respond, within ten days after receipt of such request, and shall either (1) provide a response on the requested supporting data, (2) advise the Owner when the response or supporting data will be furnished or (3) advise the Owner that no supporting data will be furnished. Upon receipt of the response or supporting data, if any, the Owner will either reject or approve the Claim in whole or in part.

§ 14.2.5 The Owner's initial decision shall (1) be in writing; (2) state the reasons therefor; and (3) identify any change in the Contract Sum or Contract Time or both. The initial decision shall be final and binding on the parties but subject to Sections 14.3 and 14.4 of this Agreement.

§ 14.2.6 In the event of a Claim against the Design-Builder, the Owner may, but is not obligated to, notify the surety, if any, of the nature and amount of the Claim. If the Claim relates to a possibility of a Design-Builder's default, the Owner may, but is not obligated to, notify the surety and request the surety's assistance in resolving the controversy.

§ 14.2.7 If a Claim relates to or is the subject of a mechanic's lien, the party asserting such Claim may proceed in accordance with applicable law to comply with the lien notice or filing deadlines.

§ 14.3 Mediation

§ 14.3.1 Claims, disputes, or other matters in controversy arising out of or related to the Contract, except those waived as provided for in Sections 9.10.4, 9.10.5, and 14.1.7, may be subject to mediation upon mutual agreement of the Owner and the Design-Builder.

§ 14.3.2 If the parties endeavor to resolve their Claims by mediation, unless the parties mutually agree otherwise, the mediation shall be administered by the American Arbitration Association in accordance with its Construction Industry Mediation Procedures in effect on the date of the Agreement, as may be modified upon mutual agreement of the parties. A request for mediation shall be made in writing, delivered to the other party to the Contract, and filed with the person or entity administering the mediation. The request may be made concurrently with the filing of binding dispute resolution proceedings but, in such event, mediation shall proceed in advance of binding dispute resolution proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the parties or court order. If an arbitration proceeding is stayed pursuant to this Section 14.3.2, the parties may nonetheless proceed to the selection of the arbitrator(s) and agree upon a schedule for later proceedings.

§ 14.3.3 The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the county where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction.

§ 14.4 Arbitration

§ 14.4.1 If the parties have selected arbitration as the method for binding dispute resolution in Section 1.3, any Claim with an aggregate value of $250,000 or less, not including recoverable costs as defined in any applicable statute or case law, attorneys' fees, and prejudgment interest, shall be subject to arbitration. Claims with an aggregate value in excess of $250,000 shall be resolved by litigation unless otherwise mutually agreed by the parties. Unless the parties mutually agree otherwise, arbitration shall be administered by the American Arbitration Association in accordance with its Construction Industry Arbitration Rules in effect on the date of the Agreement, as may be modified by mutual agreement of the parties. A demand for arbitration shall be made in writing, delivered to the other party to the Contract, and filed with the person or entity administering the arbitration. The party filing a notice of demand for arbitration must assert in the demand all Claims then known to that party on which arbitration is permitted to be demanded. The arbitration shall be held in the county where the Project is located, unless another location is mutually agreed upon.

§ 14.4.1.1 A demand for arbitration shall be made within a reasonable time after Claim, dispute, or other matter has arisen, but in no event shall it be made after the date when the institution of legal or equitable proceedings based on the Claim would be barred by the applicable statute of limitations or statute of repose. For statute of limitations or statute of repose purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the Claim.

§ 14.4.2 The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in

accordance with applicable law in any court having jurisdiction. The parties agree the arbitrator shall have no power, jurisdiction, or authority to award punitive or exemplary damages to any party.

§ 14.4.3 The foregoing agreement to arbitrate, and other agreements to arbitrate with an additional person or entity duly consented to by parties to the Agreement, shall be specifically enforceable under applicable law in any court having jurisdiction thereof.

§ 14.4.4 Consolidation or Joinder

§ 14.4.4.1 Either party, at its sole discretion, may consolidate an arbitration conducted under this Agreement with any other arbitration to which it is a party provided that (1) the arbitration agreement governing the other arbitration permits consolidation, (2) the arbitrations to be consolidated substantially involve common questions of law or fact, and (3) the arbitrations employ materially similar procedural rules and methods for selecting arbitrator(s).

§ 14.4.4.2 Either party, at its sole discretion, may include by joinder persons or entities substantially involved in a common question of law or fact whose presence is required if complete relief is to be accorded in arbitration, provided that the party sought to be joined consents in writing to such joinder. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent.

§ 14.4.4.3 The Owner and Design-Builder grant to any person or entity made a party to an arbitration conducted under this Section 14.4, whether by joinder or consolidation, the same rights of joinder and consolidation as the Owner and Design-Builder under this Agreement.

ARTICLE 15 MISCELLANEOUS PROVISIONS

§ 15.1 Governing Law

The Contract shall be governed by the laws of the State where the Project is located. This Section shall not prevent application of the Federal Arbitration Act to any dispute under Section 14.4.

§ 15.2 Successors and Assigns

§ 15.2.1 The Owner and Design-Builder, respectively, bind themselves, their partners, successors, assigns and legal representatives to the covenants, agreements and obligations contained in the Design-Build Documents. Except as provided in Section 15.2.2, neither party to the Contract shall assign the Contract as a whole without written consent of the other. If either party attempts to make such an assignment without such consent, that party shall nevertheless remain legally responsible for all obligations under the Contract.

§ 15.2.2 The Owner may, without consent of the Design-Builder, assign the Contract to a lender providing construction financing for the Project, if the lender assumes the Owner's rights and obligations under the Design-Build Documents. The Design-Builder shall execute all consents reasonably required to facilitate such assignment.

§ 15.2.3 If the Owner requests the Design-Builder, Architect, Consultants, or Contractors to execute certificates, other than those required by Section 3.1.10, the Owner shall submit the proposed language of such certificates for review at least 14 days prior to the requested dates of execution. If the Owner requests the Design-Builder, Architect, Consultants, or Contractors to execute consents reasonably required to facilitate assignment to a lender, the Design-Builder, Architect, Consultants, or Contractors shall execute all such consents that are consistent with this Agreement, provided the proposed consent is submitted to them for review at least 14 days prior to execution. The Design-Builder, Architect, Consultants, and Contractors shall not be required to execute certificates or consents that would require knowledge, services or responsibilities beyond the scope of their services.

§ 15.3 Written Notice

Written notice shall be deemed to have been duly served if delivered in person to the individual reasonably having authority to accept such notice, to a member of the firm or entity, or to an officer of the corporation for which it was intended; or if delivered at, or sent by registered or certified mail or by courier service providing proof of delivery to, the last business address known to the party giving notice.

§ 15.4 Rights and Remedies

§ 15.4.1 Duties and obligations imposed by the Design-Build Documents, and rights and remedies available thereunder, shall be in addition to and not a limitation of duties, obligations, rights and remedies otherwise imposed or available by law.

§ 15.4.2 No action or failure to act by the Owner or Design-Builder shall constitute a waiver of a right or duty afforded them under the Contract, nor shall such action or failure to act constitute approval of or acquiescence in a breach thereunder, except as may be specifically agreed in writing.

§ 15.5 Tests and Inspections

§ 15.5.1 Tests, inspections and approvals of portions of the Work shall be made as required by the Design-Build Documents and by applicable laws, statutes, ordinances, codes, rules and regulations or lawful orders of public authorities. Unless otherwise provided, the Design-Builder shall make arrangements for such tests, inspections and approvals with an independent testing laboratory or entity acceptable to the Owner, or with the appropriate public authority, and shall bear all related costs of tests, inspections and approvals. The Design-Builder shall give the Owner timely notice of when and where tests and inspections are to be made so that the Owner may be present for such procedures. The Owner shall bear costs of (1) tests, inspections or approvals that do not become requirements until after bids are received or negotiations concluded, and (2) tests, inspections or approvals where building codes or applicable laws or regulations prohibit the Owner from delegating their cost to the Design-Builder.

§ 15.5.2 If the Owner determines that portions of the Work require additional testing, inspection or approval not included under Section 15.5.1, the Owner will instruct the Design-Builder to make arrangements for such additional testing, inspection or approval by an entity acceptable to the Owner, and the Design-Builder shall give timely notice to the Owner of when and where tests and inspections are to be made so that the Owner may be present for such procedures. Such costs, except as provided in Section 15.5.3, shall be at the Owner's expense.

§ 15.5.3 If such procedures for testing, inspection or approval under Sections 15.5.1 and 15.5.2 reveal failure of the portions of the Work to comply with requirements established by the Design-Build Documents, all costs made necessary by such failure shall be at the Design-Builder's expense as a Cost of the Work.

§ 15.5.4 Required certificates of testing, inspection or approval shall, unless otherwise required by the Design-Build Documents, be secured by the Design-Builder and promptly delivered to the Owner.

§ 15.5.5 If the Owner is to observe tests, inspections or approvals required by the Design-Build Documents, the Owner will do so promptly and, where practicable, at the normal place of testing.

§ 15.5.6 Tests or inspections conducted pursuant to the Design-Build Documents shall be made promptly to avoid unreasonable delay in the Work.

§ 15.6 Confidential Information

If the Owner or Design-Builder transmits Confidential Information, the transmission of such Confidential Information constitutes a warranty to the party receiving such Confidential Information that the transmitting party is authorized to transmit the Confidential Information. If a party receives Confidential Information, the receiving party shall keep the Confidential Information strictly confidential and shall not disclose it to any other person or entity except as set forth in Section 15.6.1.

§ 15.6.1 A party receiving Confidential Information may disclose the Confidential Information as required by law or court order, including a subpoena or other form of compulsory legal process issued by a court or governmental entity. A party receiving Confidential Information may also disclose the Confidential Information to its employees, consultants or contractors in order to perform services or work solely and exclusively for the Project, provided those employees, consultants and contractors are subject to the restrictions on the disclosure and use of Confidential Information as set forth in this Contract.

§ 15.7 Capitalization

Terms capitalized in the Contract include those that are (1) specifically defined, (2) the titles of numbered articles or (3) the titles of other documents published by the American Institute of Architects.

§ 15.8 Interpretation

§ 15.8.1 In the interest of brevity the Design-Build Documents frequently omit modifying words such as "all" and "any" and articles such as "the" and "an," but the fact that a modifier or an article is absent from one statement and appears in another is not intended to affect the interpretation of either statement.

§ 15.8.2 Unless otherwise stated in the Design-Build Documents, words which have well-known technical or construction industry meanings are used in the Design-Build Documents in accordance with such recognized meanings.

ARTICLE 16 SCOPE OF THE AGREEMENT

§ 16.1 This Agreement is comprised of the following documents listed below:

.1 Standard Form of Agreement Between Owner and Design-Builder dated 2/1/22
.2 Exhibit A: Design-Build Amendment (not included at this time)
.3 Exhibit B: Insurance and Bonds dated 2/1/22
.4 Exhibit B1: Sample Insurance Certificate
.5 Exhibit C: Construction Cost Breakdown including Scope of Services dated 2/1/22

This Agreement entered into as of the day and year first written above.

OWNER *(Signature)*

Majestic Tejon Multi I, LLC,
a Delaware limited liability company

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

BY: _____
Name: _____
Its: _____

BY: _____
Name: _____
Its: _____

DESIGN-BUILDER *(Signature)*

Commerce Construction Co., L.P.

BY: Commerce C & R, Inc., its General Partner

BY: _____
John R. Burroughs, President

BY: _____
Matthew Vawter, VP/District Manager

AIA® Document A141™ – 2014 Exhibit B

Insurance and Bonds

for the following PROJECT:

TRCC Multi Family
S. Wheeler Ridge Road & 1-5
Arvin, CA 93307
Job #13587

THE OWNER:

Majestic Tejon Multi I, LLC,
a Delaware limited liability company
13191 Crossroads Parkway North, Sixth Floor
City of Industry, CA 91746

THE DESIGN-BUILDER:

Commerce Construction Co., L.P.
13191 Crossroads Parkway N. 6th Floor
City of Industry, CA 91746

THE AGREEMENT
This Insurance Exhibit is part of the accompanying agreement for the Project, between the Owner and the Design-Builder (hereinafter, the Agreement), dated the 1st day of February the year 2022. *(In words, indicate day, month and year.)*

TABLE OF ARTICLES

ARTICLE B.1 GENERAL
The Owner and Design-Builder shall purchase and maintain insurance and provide bonds as set forth in this Exhibit B. Where a provision in this Exhibit conflicts with a provision in the Agreement into which this Exhibit is incorporated, the provision in this Exhibit will prevail.

ARTICLE B.2 DESIGN BUILDER'S INSURANCE AND BONDS
§ B.2.1 The Design-Builder shall purchase and maintain the following types and limits of insurance from a company or companies lawfully authorized to do business in the jurisdiction where the Project is located. The Design-Builder shall maintain the required insurance until the expiration of the period for correction of Work as set forth in Section 11.2.2.1 of the Agreement, unless a different duration is stated below:
(If the Design-Builder is required to maintain insurance for a duration other than the expiration of the period for correction of Work, state the duration.)

« »

§ B.2.1.1 Commercial General Liability with policy limits as set forth in the Exhibit B1 attached hereto providing coverage for claims including

.1 damages because of bodily injury, sickness or disease, including occupational sickness or disease, and death of any person;

.2 personal injury;

.3 damages because of injury to or destruction of tangible property;

.4 bodily injury or property damage arising out of completed operations; and

.5 contractual liability applicable to the Design-Builder's obligations under Section 3.1.14 of the Agreement.

§ B.2.1.2 Automobile Liability covering vehicles owned by the Design-Builder and non-owned vehicles used by the Design-Builder with policy limits as set forth in Exhibit B1 attached hereto for bodily injury, death of any person, and property damage arising out of the ownership, maintenance and use of those motor vehicles specified in this Section B.2.1.2, along with any other statutorily required automobile coverage.

§ B.2.1.3 The Design-Builder may achieve the required limits and coverage for Commercial General Liability and Automobile Liability through a combination of primary and excess liability insurance, provided such primary and excess insurance policies result in the same or greater coverage as those required under Sections B.2.1.1 and B.2.1.2.

§ B.2.1.4 Workers' Compensation at statutory limits.

§ B.2.1.5 Employers' Liability with policy limits as set forth in Exhibit B1 attached hereto.

§ B.2.1.6 Professional Liability coverage is not required.

§ B.2.1.7 Pollution Liability coverage is not required.

§ B.2.1.7.1 Paragraph deleted.

§ B.2.1.8 The Design-Builder shall provide written notification to the Owner of the cancellation or expiration of any insurance required by this Article B.2. The Design-Builder shall provide such written notice within five (5) business days of the date the Design-Builder is first aware of the cancellation or expiration, or is first aware that the cancellation or expiration is threatened or otherwise may occur, whichever comes first.

§ B.2.1.9 Additional Insured Obligations. The Owner and its consultants and contractors shall be additional insureds on the Design-Builder's primary and excess insurance policies for Commercial General Liability, and Automobile Liability. The additional insured coverage shall be primary and non-contributory to any of the Owner's insurance policies. The additional insured coverage shall apply to both ongoing operations and completed operations. The policy limits applicable to the additional insureds shall be the same amount applicable to the named insured or, if the policy provides otherwise, policy limits not less than the amounts required under this Agreement.

§ B.2.1.10 Certificates of Insurance. The Design-Builder shall provide certificates of insurance acceptable to the Owner evidencing compliance with the requirements in this Article B.2: (1) prior to commencement of the Work; (2) upon renewal or replacement of each required policy of insurance; and (3) upon Owner's written request. An additional certificate evidencing continuation of liability coverage, including coverage for completed operations, shall be submitted with the final Application for Payment as required by Section 9.10.2 of the Agreement and thereafter upon renewal or replacement of such coverage until the expiration of the time required by Section B.2.1. The certificates will show the Owner and its consultants and contractors as additional insureds on the Design-Builder's primary and excess insurance policies for Commercial General Liability, and Automobile Liability. Information concerning reduction of coverage on account of revised limits, claims paid under the General Aggregate or both, shall be furnished by the Design-Builder with reasonable promptness.

§ B.2.2 Performance Bond and Payment Bond

The Design-Builder shall provide surety bonds as follows:

(Specify type and penal sum of bonds.)

Type	Penal Sum ($0.00)
N/A	N/A

§ B.2.2.1 Upon the request of any person or entity appearing to be a potential beneficiary of bonds covering payment of obligations arising under the Agreement, the Design-Builder shall promptly furnish a copy of the bonds or shall permit a copy to be made.

ARTICLE B.3 OWNER'S INSURANCE

§ B.3.1 Owner's Liability Insurance

The Owner shall be responsible for purchasing and maintaining the Owner's usual liability insurance.

§ B.3.2 Property Insurance

§ B.3.2.1 Unless otherwise provided, at the time of execution of the Design-Build Amendment, the Owner shall purchase and maintain, in a company or companies lawfully authorized to do business in the jurisdiction where the Project is located, property insurance written on a builder's risk "all-risk" or equivalent policy form in the amount of the initial Contract Sum, plus the value of subsequent Modifications and cost of materials supplied or installed by others, comprising the total value for the entire Project at the site on a replacement cost basis without optional deductibles. If any construction that is part of the Work shall commence prior to execution of the Design-Build Amendment, the Owner shall, prior to commencement of construction, purchase and maintain property insurance as described above in an amount sufficient to cover the total value of the Work at the site on a replacement cost basis without optional deductibles. The insurance required under this section shall include interests of the Owner, Design-Builder, Architect, Consultants, Contractors, and Subcontractors in the Project. The property insurance shall be maintained, unless otherwise provided in the Design-Build Documents or otherwise agreed in writing by all persons and entities who are beneficiaries of the insurance, until the Owner has issued a Certificate of Substantial Completion in accordance with Section 9.8 of the Agreement. Unless the parties agree otherwise, upon issuance of a Certificate of Substantial Completion, the Owner shall replace the insurance policy required under this Section B.3.2 with another property insurance policy written for the total value of the Project that shall remain in effect until expiration of the period for correction of the Work set forth in Section 11.2.2 of the Agreement.

§ B.3.2.1.1 The insurance required under Section B.3.2.1 shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal, including demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for the Design-Builder's services and expenses required as a result of such insured loss.

§ B.3.2.1.2 If the insurance required under Section B.3.2.1 requires deductibles, the Owner shall pay costs not covered because of such deductibles.

§ B.3.2.1.3 The insurance required under Section B.3.2.1 shall cover portions of the Work stored off the site, and also portions of the Work in transit.

§ B.3.2.1.4 Partial occupancy or use in accordance with Section 9.9 of the Agreement shall not commence until the insurance company or companies providing the insurance required under Section B.3.2.1 have consented to such partial occupancy or use by endorsement or otherwise. The Owner and the Design-Builder shall take reasonable steps to obtain consent of the insurance company or companies and shall, without mutual written consent, take no action with respect to partial occupancy or use that would cause cancellation, lapse or reduction of insurance.

§ B.3.2.2 Boiler and Machinery Insurance. The Owner shall purchase and maintain boiler and machinery insurance, which shall specifically cover commissioning, testing, or breakdown of equipment required by the Work, if not covered by the insurance required in Section B.3.2.1. This

insurance shall include the interests of the Owner, Design-Builder, Architect, Consultants, Contractor and Subcontractors in the Work, and the Owner and Design-Builder shall be named insureds.

§ B.3.2.3 If the Owner does not intend to purchase the insurance required under Sections B.3.2.1 and B.3.2.2 with all of the coverages in the amounts described above, the Owner shall inform the Design-Builder in writing prior to any construction that is part of the Work. The Design-Builder may then obtain insurance that will protect the interests of the Owner, Design-Builder, Architect, Consultants, Contractors, and Subcontractors in the Work. The cost of the insurance shall be charged to the Owner by an appropriate Change Order. If the Owner does not provide written notice, and the Design-Builder is damaged by the failure or neglect of the Owner to purchase or maintain insurance as described above, the Owner shall bear all reasonable costs and damages attributable thereto.

§ B.3.2.4 Loss of Use Insurance. At the Owner's option, the Owner may purchase and maintain insurance to insure the Owner against loss of use of the Owner's property due to fire or other hazards, however caused. The Owner waives all rights of action against the Design-Builder for loss of use of the Owner's property, including consequential losses due to fire or other hazards covered under the property insurance required under this Exhibit B to the Agreement.

§ B.3.2.5 If during the Project construction period the Owner insures properties, real or personal or both, at or adjacent to the site by property insurance under policies separate from those insuring the Project, or if after final payment property insurance is to be provided on the completed Project through a policy or policies other than those insuring the Project during the construction period, the Owner shall waive all rights in accordance with the terms of Section B.3.2.7 for damages caused by fire or other causes of loss covered by this separate property insurance. All separate policies shall provide this waiver of subrogation by endorsement or otherwise.

§ B.3.2.6 Before an exposure to loss may occur, the Owner shall file with the Design-Builder a copy of each policy that includes insurance coverages required by this Section B.3.2. Each policy shall contain all generally applicable conditions, definitions, exclusions and endorsements related to this Project. The Owner shall provide written notification to the Design-Builder of the cancellation or expiration of any insurance required by this Article B.3. The Owner shall provide such written notice within five (5) business days of the date the Owner is first aware of the cancellation or expiration, or is first aware that the cancellation or expiration is threatened or otherwise may occur, whichever comes first.

§ B.3.2.7 Waivers of Subrogation. The Owner and Design-Builder waive all rights against (1) each other and any of their consultants, subconsultants, contractors and subcontractors, agents and employees, each of the other, and (2) any separate contractors described in Section 5.13 of the Agreement, if any, and any of their subcontractors,
sub-subcontractors, agents and employees, for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to Section B.3.2 or other property insurance applicable to the Work and completed construction, except such rights as they have to proceeds of such insurance held by the Owner as fiduciary. The Owner or Design-Builder, as appropriate, shall require of the separate contractors described in Section 5.13 of the Agreement, if any, and the subcontractors, sub-subcontractors, agents and employees of any of them, by appropriate agreements, written where legally required for validity, similar waivers each in favor of the other parties enumerated herein. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged.

§ B.3.2.8 A loss insured under the Owner's property insurance shall be adjusted by the Owner as fiduciary and made payable to the Owner as fiduciary for the insureds, as their interests may appear, subject to requirements of any applicable mortgagee clause and of Section B.3.2.10. The Design-Builder shall pay the Architect, Consultants and Contractors their just shares of insurance proceeds received by the Design-Builder, and by appropriate agreements, written where legally required for

validity, the Design-Builder shall require the Architect, Consultants and Contractors to make payments to their consultants and subcontractors in similar manner.

§ B.3.2.9 If required in writing by a party in interest, the Owner as fiduciary shall, upon occurrence of an insured loss, give bond for proper performance of the Owner's duties. The cost of required bonds shall be charged against proceeds received as fiduciary. The Owner shall deposit in a separate account proceeds so received, which the Owner shall distribute in accordance with such agreement as the parties in interest may reach, or as determined in accordance with the method of binding dispute resolution selected in the Agreement between the Owner and Design-Builder. If after such loss no other special agreement is made and unless the Owner terminates the Contract for convenience, replacement of damaged property shall be performed by the Design-Builder after notification of a Change in the Work in accordance with Article 6 of the Agreement.

§ B.3.2.10 The Owner as fiduciary shall have power to adjust and settle a loss with insurers unless one of the parties in interest shall object to the Owner's exercise of this power in writing within five (5) days after the Owner gives written notice to the Design-Builder and other parties in interest of the occurrence of a loss. If an objection is made, the dispute shall be resolved in the manner selected by the Owner and Design-Builder as the method of binding dispute resolution in the Agreement. If the Owner and Design-Builder have selected arbitration as the method of binding dispute resolution, the Owner as fiduciary shall make settlement with insurers or, in the case of a dispute over distribution of insurance proceeds, in accordance with the directions of the arbitrators(s), if any.

ARTICLE B.4 SPECIAL TERMS AND CONDITIONS

Special terms and conditions that modify this Insurance and Bonds Exhibit, if any, are as follows:

Insurance shall be in accordance with attached Exhibit B1.

EXHIBIT "B1"

CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY) 04/06/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
Aon Risk Insurance Services West, Inc. Los Angeles CA Office 707 Wilshire Boulevard Suite 2600 Los Angeles CA 90017-0460 USA	PHONE (A/C. No. Ext): (866) 283-7122	FAX (A/C. No.): 800-363-0105
	E-MAIL ADDRESS:	

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC #
Commerce Construction Co., L.P. c/o Majestic Realty Co. 13191 Crossroads Pkwy North, 6th Floor City of Industry CA 91746 USA	INSURER A: Federal Insurance Company	20281
	INSURER B: Everest Premier Insurance Company	16045
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

Holder Identifier :

COVERAGES **CERTIFICATE NUMBER:** 570086918050 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. **Limits shown are as requested**

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			35333657	12/13/2020	12/13/2021	EACH OCCURRENCE	$1,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$1,000,000
	X Contractual Liability						MED EXP (Any one person)	$10,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PERSONAL & ADV INJURY	$1,000,000
	POLICY X PRO-JECT X LOC						GENERAL AGGREGATE	$2,000,000
	OTHER:						PRODUCTS - COMP/OP AGG	$2,000,000
A	AUTOMOBILE LIABILITY			7322-49-80	12/13/2020	12/13/2021	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	X ANY AUTO						BODILY INJURY (Per person)	
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per accident)	
	HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	
A	X UMBRELLA LIAB X OCCUR			78193384	12/13/2020	12/13/2021	EACH OCCURRENCE	$10,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$10,000,000
	DED RETENTION							
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N			CA10001525211	04/01/2021	04/01/2022	X PER STATUTE OTH-ER	
	ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? N (Mandatory in NH)	N/A					E.L. EACH ACCIDENT	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE-EA EMPLOYEE	$1,000,000
							E.L. DISEASE-POLICY LIMIT	$1,000,000

Certificate No : 570086918050

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Insurance

CERTIFICATE HOLDER

SAMPLE HOLDER
Majestic Realty Co.
13191 Crossroads Parkway North
Sixth Floor
City of Industry CA 91746 USA

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Aon Risk Insurance Services West Inc.

AGENCY CUSTOMER ID: 10045108
LOC #:

ADDITIONAL REMARKS SCHEDULE

AGENCY	NAMED INSURED
Aon Risk Insurance Services West, Inc.	Majestic Realty Co.
POLICY NUMBER	
See Certificate Number: 570086918050	
CARRIER / NAIC CODE	EFFECTIVE DATE
See Certificate Number: 570086918050	

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: ACORD 25 **FORM TITLE:** Certificate of Liability Insurance

Additional Coverages

EXCESS LIABILITY:
$7,500,000 part of $15,000,000 excess of $10,000,000
Endurance American Specialty Insurance Company
Policy No. ELD30002191000
12/13/2020 to 12/13/2021

$7,500,000 part of $15,000,000 excess of $10,000,000
Landmark American Insurance Company
Policy No. LHA250750
12/13/2020 to 12/13/2021

Total Limit: $25,000,000

TERRORISM COVERAGE:
$25,000,000 occ/agg limit / $5,000 Deductible applies
Policy No.: #B1526CMCTRCMCTR2004723
Carrier: Underwriters at Lloyds London
Policy Term: 12/13/20 to 12/13/21

Exhibit C
Cost Breakdown

Job 13587 - TRCC Multi-Family Project 1/26/2022

0100	CCC Management	$50,000	
0140	Plan Check Allowance	$100,000	
5100	Architect (Danielian) - Lump Sum Portions of Contract	$884,000	(Includes MEP and Structural Eng.)
5100	Architect (Danielian) - Hourly Portions of Contract - Allowance	$142,000	
5100	Architect (Danielian) - Site Visits Portion of Contract - Allowance	$51,000	
5100	Architect (Danielian) - Reimbursables Budget - Allowance	$39,000	
4750	Interior Design (TBD)	TBD	
4250	Landscape (TBD)	TBD	
0130	Civil (TBD)	TBD	
0221	Geotechnical Engineering (TBD)	TBD	
4100	Acoustical Consultant (TBD)	TBD	
	SUBTOTAL	$1,266,000	
	Insurance	$18,990	
	Subtotal	$1,284,990	
	Fee	$64,250	
	TOTAL	$1,349,240	

SCOPE OF WORK:

- Preparation of Construction Documents per the attached proposal from Danielian dated 1/25/22.

EXCLUSIONS:

- Development Fees.
- Building Permits and Fees.
- Commissioning.
- Signage Design.
- Waterproofing Consultant
- Pool Consultant
- Fitness Consultant
- ADA Consultant.
- IT/AV/Security Consultant.
- Fire alarm Consultant.
- Fire Sprinkler Consultant (Part of Construction Phase)
- Any other consultant not listed above.
- Procurement of FF&E's.
- Architectural renderings

NOTES:

Includes 8 site visits per phase for the Structural Engineer. Site visits beyond 8 per phase will be charged as Additional Service.
Includes 3 site visits per phase for the MEP Engineer. Site visits beyond 3 per phase will be charged as Additional Service.
"TBD" items above will be added to the contract via change order as needed.

DANIELIAN
ASSOCIATES
60 corporate park • irvine • ca • 92606 • 949.474.6030 • www.danielian.com

January 25, 2022

Via email: jburroughs@commercelp.com

John Burroughs
COMMERCE CONSTRUCTION CO., L.P.
13191 Crossroads Parkway North, Sixth Floor
City of Industry, CA 91746-3497

RE: **SCOPE OF SERVICE - DA# J21168.00**
TEJON MULTI-FAMILY PROJECT
Architectural, Planning and Engineering Services
+/-19 Acre – Apartments
S. Wheeler Ridge Rd and I-5, Kern County, CA

Dear John:

Danielian Associates (the "Architect/Planner") is pleased to submit this Scope of Service for Architectural Entitlement, Full Architectural and Engineering Design Services for a phased, multi-family project including approximately +/- 495 market rate apartments, a leasing/clubhouse, and a possible secondary amenity area on approximately 19 acres located in Kern County, CA (the "Project").

The program assumes the following with respect to the Project and potential construction phasing:

Market Rate Apartments: 495 residential apartment units in two to three story garden style building types with surface parking. Also included, a clubhouse amenity including leasing offices, multi-purpose rooms, business center, mail and parcel room, fitness center, pet spa, Smaller Cabana building and other minor amenities.

The services contemplated in this Scope of Service will include Entitlement Services including Planning, Conceptual Architecture, Schematic Design. Architectural and Engineering Services will include Design Development, Construction Documents and Construction Phase Services using Revit or Autocad software and other software as needed. Engineering Services include Mechanical, Electrical and Plumbing. T-24 documentation is included. Includes meetings with Client and Client's consultants as needed to complete the work. It is understood that the majority of the project meetings will be virtual type meetings when possible.

The following outlines the services of Architect/Planner more specifically and sequentially.

I. OUTLINE OF SERVICES OF ARCHITECT/PLANNER

A. Entitlement Services (for entire approximately 19 acre Project). TARGET DURATION: 8 WEEKS (It is understood that the Kern County approvals are anticipated to be via substantial conformance with the existing approvals as indicated by Tejon Ranch)

Architecture and Planning

Site Analysis Phase: During this initial phase, our services would include reviewing documents and information provided by the Commerce Construction Co., L.P. (the "Client") to understand the subject site, its constraints and working with the Client to establish the Client's objectives for developing the site. Coordination with the Civil Engineer to develop strategy for possible road alignment revisions.

Conceptual Planning and Design Phase: In the course of this phase, our services would include the development of building footprints to meet the Client's desired program for the

site, yield studies to test site capacity and the development and refinement of a conceptual site plan for use by the Client's civil engineer. Development of conceptual elevations, major building sections, roof plans, preliminary color, material selection and coordination with landscape architect for entitlement submittal. It is assumed that there will be two distinct building types. Either or both of the building types may also use mirror images of that type. Attend meetings with Kern County Planning Staff, attend meetings to assist the Client in securing approval of the Entitlement submittal. Client will solicit proposals and contract with Civil Engineer and Geotechnical Engineer after the development of the Concept Site Plan.

Schematic Design Phase: This phase would include the incorporation of conditions of approval and Client comments in the development of schematic architectural designs, refinements and details including refined site plan, floor plans, building elevations and sections based on entitled conceptual building design.It is understood that Tejon Ranch has already received the Project Conditions of Approval that are not anticipated to change significantly as apart of this substantial conformance process with the new Site Plan. Exterior color schemes, color boards, painter's legend, and color plotting. Includes colored exhibits of Architect/Planner's designs and simple renderings such as those produced through Revit and/or software such as "Sketch Up" It is understood that these renderings are not marketing level renderings but will be used to communicate Architect's design intent to Client.

B. **Architecture and Engineering**

Design Development Phase (for entire approximately 19 acre Project): TARGET DURATION: 8 WEEKS. Based on approved schematic designs which would reflect the Client's confirmation that the probable cost of construction of the designs are within the Owner's construction budget, this phase will include refinement of the floor plans, composite building plans, principal sections and elevations in conjunction with the preparation of preliminary studies of interior volumes, framing, HVAC and plumbing studies, walk-around elevations of the buildings. Also included are Structural, Mechanical, Electrical and Plumbing consultant scope and fees.

Construction Documents Phase: Services provided during this phase include preparation of architectural construction documents in conjunction with other documents provided by the Client and/or the Owner or Client provided consultants (the "Owner/Client Consultants") which are suitable for Building Department submittal and for obtaining building permits and responding to plan check comments during the review process. Also included are Structural, Mechanical, Electrical and Plumbing consultant scope and fees. It is understood that the Construction Document work will be performed in three separate phases. The number of apartment units included in each phase will be determined by Client at the completion of the Entitlement Phase. Phase 1 will utilize two distinct building types and/or mirror images of the two distinct building types. Phase 2 and Phase 3 will utilize the same two distinct building types and/or mirror images of those two distinct building types. Therefore, Construction Documents for Phases 2 and 3 are anticipated to be a "repackaging" of the Construction Documents from Phase 1. TARGET DURATION PER PHASE: 8 WEEKS.

Construction Phase: Architect/Planner will respond to questions regarding its construction documents, perform limited field observation during construction, and review and take appropriate action on contractor submittals during each construction phase. Our services during this phase will be provided per the Fees enumerated in **Exhibit "A"**. Also included are Structural, Mechanical, Electrical and Plumbing consultant scope and fees. As with the Construction Document work, it is understood that the Construction work will be performed in three separate phases.

Architect/Planner will observe construction for general visual aesthetic conformance with the architectural documents and will notify Client of all observed nonconformance. However, Architect/Planner shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of construction.

Architect/Planner shall not supervise, direct or have control over the contractors' work nor have any responsibility for construction means, methods, techniques, sequences or procedures selected by the contractor nor for the contractors' safety precautions or programs in connection with the Work. These rights and responsibilities are solely those of the contractor.

The Architect/Planner shall not be responsible for any acts or omissions of any contractor, subcontractor, Owner/Client Consultants, any entity performing any portions of the Work, or any agents or employees of any of them. The Architect/Planner does not guarantee the performance of any contractor and shall not be responsible for the contractors' failure to perform their Work in accordance with the construction documents or any applicable laws, codes, rules or regulations.

1. Client's contractor may, after exercising due diligence to locate required information, request from the Architect clarification or interpretation of the requirements of the architectural Construction Documents via written Requests for Information ("RFI"). Architect shall, with reasonable promptness, respond to such reasonable contractor's requests for clarification or interpretation without charge to Client. Client and its contractors will direct questions regarding documents prepared by Owner/Client Consultants to those consultants and will compensate Architect on an hourly basis for any of Architect's time responding to requests that should be directed to other consultants if requests become excessive.
2. Architect/Planner will be available, as reasonably requested by Client, to review and approve appropriate action on contractor submittals, such as shop drawings, product data, samples and other data, which the contractor is required to submit, but only for the limited purpose of checking for conformance with the visual design concept shown in the Construction Documents. To the extent Consultant's documents are accurate and complete, this review shall not include review of the accuracy or completeness of details, such as quantities, dimensions, weights or gauges, fabrication processes, construction means or methods, coordination of the work with other trades or construction safety precautions, all of which are the sole responsibility of the contractor. Architect/Planner's review shall be conducted with reasonable promptness while allowing sufficient time in Architect/Planner's judgment to permit adequate review. Review of a specific item shall not indicate that the Architect/Planner has reviewed the entire assembly of which the item is a component. The Architect/Planner shall not be responsible for any deviation from the Construction Documents not brought to the attention of the Architect/Planner in writing by the contractor or Client. Architect/Planner shall not be required to review partial submissions or those for which submissions of corresponding items have not been received.
3. Additional services as requested by the Client shall be reimbursable in accordance with Section III herein.

II. OUTLINE OF RESPONSIBILITIES OF CLIENT

Toward the mutual goal of a successful project, Client will at its sole cost and expense take the actions and provide the information and services identified below; and without the delay and expense of independent evaluation or verification, Architect/Planner shall be entitled to rely on the accuracy and completeness of all reports, data, specifications and information obtained from Client, Client's other consultants and other reasonably reliable sources. Since Architect/Planner is neither

experienced nor an expert in any of the following fields, Architect/Planner will not review, critique, verify or otherwise be responsible for the accuracy or completeness of data, specifications and/or design work provided to Architect/Planner by Client, other design professionals, or other reasonably reliable sources, but will coordinate with them as mentioned herein. The services provided by the referenced consultants will necessarily be provided by them as independent contractors to Client by duly licensed or qualified professionals.

A. A certified survey of the site prepared by a licensed Land Surveyor or a licensed Civil Engineer indicating boundaries, contours, existing structures and trees, utility service locations, easements and required dedications.

B. Geology, hydrology and soil reports prepared by a licensed Soil Engineer for use by all consultants on this project, including recommendations to mitigate excessive and differential settlement, subsidence, and other soil related problems.

C. Report on hazardous materials including without limitation methane and radon and recommendations for mitigation.

D. Geology, hydrology and soils reports prepared by a licensed soils engineer for use by all consultants on this project including recommendations to mitigate excessive and differential settlement, subterranean water intrusion, subsidence, earth movement, sulfates, other soils related conditions, and acts of God relating to soils and geotechnical issues. Client will hold Architect/Planner harmless from any problems associated with soils conditions or settlement to the extent recommendations in the Geotechnical recommendations are followed in the project design.

E. Civil Engineering Consultant for off and on-site engineering, tentative and final maps. Civil Engineer to prepare final site plan indicating final building composites, final grades, drainage, horizontal control dimensions to locate final buildings, finish slab elevations, auto circulation, on and off-street parking and delineation of open space/recreation areas. The final site plan is to reflect final building footprints, jurisdictional requirements and conditions of approvals and pertinent general statistical data.

F. Other Engineering as follows:

(i) Traffic Engineer (if applicable)
(ii) Acoustical Engineer – to provide noise attenuation measures (if applicable).

G. Chemical and laboratory tests, inspections and reports as required by law or identified by Architect/Planner prior to acceptance of this proposal.

H. Intentionally deleted.

I. Elevator Consultant, if applicable.

J. Environmental Consultant (if required).

K. Construction Cost – it is the policy of Architect/Planner not to provide opinions or estimates of probable construction cost. Client understands that Architect/Planner has no control over the cost or availability of labor, equipment or materials, or over market conditions or the contractor's method of pricing, and that any discussions by Architect/Planner regarding probable construction costs reflect opinions or estimates only made on the basis of Architect/Planner's professional judgment and experience, and must be confirmed

independently by Client. Architect/Planner makes no warranty, express or implied, that the bids or the negotiated cost of the Work will not vary any opinion or estimate of probable construction cost provided by Architect/Planner.

L. Market research consultant (product design information and mix).

M. Legal work including easements, CC&Rs and other legal documents that may be required.

N. Project Management – financing, project cost control, zoning, building permit applications, submittals and processing, demolition work and overall coordination.

O. Landscape Architect (including waterscape, hardscape and entry statement design, as applicable).

P. Rental Office/Interior Design Consultant – lobby, rental office and public area interior design, furnishings, graphics and signage.

Q. Sign Consultant for design/manufacturing/installation of permanent signs.

R. Food Service Consultant (if applicable)

S. Fees required for approvals by agencies having jurisdiction over the Project, including surveys, plan check, permits, development and other fees.

T. The Architect/Planner will endeavor to design for accessibility by persons with disabilities in conformance with the applicable provisions of the ADA (Americans with Disabilities Act) and references thereto in applicable state or local building codes.

III. ARCHITECT/PLANNER'S COMPENSATION

The FEES **"Exhibit A"** define the Architect/Planner's compensation for this Project.

These fees are for entitlement and full service architectural and engineering services which include site analysis, conceptual planning and architectural design services, Structural, Mechanical, Electrical and Plumbing design services only and do not include any other consultants' services, fees or costs, including but not limited to environmental consulting, civil, soils, acoustical, traffic engineering, landscape architecture and interior design. Structural, Mechanical, Electrical and Plumbing consultants will be subcontracted by the Architect. These estimated fees are based on the assumption that standard construction methods Type V for the residential component will be utilized and normal soils conditions for the region exist at the project site.

A. Architect/Planner may, one (1) year from the date of this Agreement, increase the fees for any phases not started, as well as the hourly billing rates to reflect increases in labor and overhead costs.

B. Client shall reimburse Architect/Planner at 1.1 x direct cost for the following expenses incurred in connection with this project: photocopying, printing, computer plots, governmental fees, postage/handling, automobile mileage charged at current IRS rate (except for site visits and meetings at Client's office), messenger charges, out-of-town travel including airfare, automobile rental, accommodations and any fees or premiums payable by Architect/Planner due to special insurance requirements requested by Client which are beyond Architect/Planner's standard coverage, and any other expenses not

listed herein but approved by Client. Client shall notify Architect/Planner in the event that Client requests that Architect/Planner use Client's own printing account for bulk printing and will provide all necessary information to facilitate Architect/Planner's use of such account.

C. Services requested and authorized by Client beyond those specifically outlined in the Scope and Outline of Services described herein will be considered as Additional Services.

Client shall compensate Architect/Planner for such Additional Services in addition to the compensation specified under Fees (Section IV) on an hourly basis at Architect/Planner's hourly rates listed below, except as otherwise agreed in writing by the parties hereto. Payments to be made on a monthly basis. Additional services include, but are not limited to, the following:

1. Ancillary structures not previously included in the Scope and Outline of Services.
2. City meetings or hearings other than those required for plan check and permitting of the Project.
3. Renderings (except for Revit or "Sketch Up" type renderings), models, brochures and photographs.
4. Award packages, and special presentations.
5. Record drawings, based on information provided by Client for the purpose of construction cost efficiency, changes of previously approved designs, etc., of the model construction for use in future construction phases. All items related to Architect/Planner's inconsistencies or errors will be provided at no extra charge. Note that Architect's coordination with Client for implementation of Value Engineering information during the Conceptual Planning and Design Phase and the Design Development Phase prior to Client's approval of the Design Development plans shall not be considered an Additional Service.
6. Services provided due to changes requested by Client or by the public agency having jurisdiction after criteria is established for each phase or after acceptance of designs as each phase progresses.
7. Changes related to design criteria or the updating of zoning ordinances, building codes and regulations after the start of this project, and re-interpretation of building code items by plan checker or field inspector after approval of the documents and issuance of building permits, and other items out of the direct control of Architect/Planner.
8. Observe Client's construction phase testing of the water intrusion prevention characteristics of project components and assemblies unless as a result of Architect's design details that are resulting in water intrusion.
9. Assist Client in any reasonable and appropriate manner in investigating and addressing claims of project construction deficiencies unless due to Architect's errors and/or omissions.

Hourly Rate Schedule:

Principal	$250	Job Captain/Sr. Job Captain	$110 - $140
Director	$225	Intermediate Planner/Designer	$120 - $130
Sr. Project Manager/Sr. Designer	$190	Sr. Technical	$ 95 - $120
Sr. Planner	$175	Technical Designer/Planner	$ 85 - $100
Project Mgr/Designer/Planner	$160	Intern	$ 65 - $ 90
Color Designer	$160	Administrative	$ 85

D. Architect/Planner will invoice Client on a monthly basis in proportion to services completed and reimbursable expenses accumulated. Each invoice will be a statement and status report representing that the fees due for services performed were in accordance with the scope of services of this Agreement. Invoices are payable upon receipt by Client. Accounts

over forty-five (45) days shall incur a service charge of .5% per month. No deductions shall be made from Architect/Planner's compensation on account of problems or losses for which Architect/Planner has not been held legally liable.

If payments are not made in accordance with this Agreement such non-payment may be considered, after 30 days prior notice to Client, substantial non-performance and cause for suspension of services, or termination. In the event of a suspension of services, Architect/Planner shall have no liability to Client for delay or damage caused by Client because of such suspension of services.

Architect/Planner shall have the right to retain ownership of all drawings, general notes and other documents prepared for this project until full payment of all amounts due for services performed and reimbursable expenses accrued, has been received. Architect/Planner shall not be held liable for any claims, liabilities, costs, damages or losses that may result from any such withholding of drawings, general notes and other documents.

Payments will first be applied to accrued service charges; the remainder of the payment will then be applied to the oldest outstanding invoices in order by date.

Client agrees to notify Architect/Planner within 30 days after its receipt of invoices from Architect/Planner in the event that Client disagrees with Architect/Planner's invoices or disapproves them for any reason, and the basis for its disagreement or disapproval. In the event that Architect/Planner receives no such notice from Client, the invoices shall be deemed to be approved by Client as an accurate statement of the amount owed for services which were performed in accordance with the scope of services of this Agreement, that the percentage of completion is accurate, and that the quality level of services, to Client's knowledge, provided is acceptable.

Exhibit A

FEES

Jan. 25, 2022

FULL SERVICE ARCHITECTURAL	Entitlement Services	Design Development Phase	Construction Documents Phase			Construction Phase						TOTAL
			Phase 1	Phase 2	Phase 3	Phase 1		Phase 2		Phase 3		
Architecture	$152,000	$186,000	$220,000	$10,000	$10,000	$62,000	(Note 1)	$40,000	(Note 1)	$40,000	(Note 1)	$720,000
Site Visits Budget						$21,000	(Note 2)	$15,000	(Note 2)	$15,000	(Note 3)	$51,000
Structural Engineering (Gouvis)	$32,000	$52,000	$43,000	$0	$0	$16,000	(Note 3)	$11,000	(Note 3)	$11,000	(Note 3)	$165,000
MEP Engineering (SY Lee)	$19,000	$32,000	$58,000	$0	$0	$13,000	(Note 4)	$10,000	(Note 4)	$9,000	(Note 4)	$141,000
Reimbursables Budget (Note 5)	$5,000	$5,000	$10,000	$2,000	$2,000	$5,000		$5,000		$5,000		$39,000
TOTAL	$208,000	$275,000	$331,000	$12,000	$12,000	$117,000		$81,000		$80,000		**$1,116,000**

Note 1: Architect's Construction Phase work will be performed houly at the rates in the Scope of Service Document dated 1/18/22. The amount included above is a budget for this work and shall not be exceeded without Client's prior written approval, which shall not be unreasonbly withheld.

Note 2: Architect's Site Visits shall be charged based on actual number of trips performed at the rate of $1500 per site visit per person which is inclusive of all of Architect's costs including travel. The amount included above is a budget for this work.

Note 3: Structural Engineer's Construction Phase work is a lump sum amount for each of the three construction phases as presented above. Each of the three lump sum amounts includes a total of 8 site visits (inclusive of all of Structural Engineer's costs including travel). In the event that additional site visits are required beyond the 8 included in each phase, they will be charged at the unit price of $1500 per site visit per person. Any Structural Engineering costs associated with preparation of Construction Documents for Phases 2 and 3 is included in the Structural Engineer's lump sum amount listed under the Construction Phase.

Note 4: MEP Engineer's Construction Phase work is a lump sum amount for each of the three construction phases as presented above. Each of the three lump sum amounts includes a total of 3 site visits (inclusive of all of Structural Engineer's costs including travel). In the event that additional site visits are required beyond the 3 included in each phase, they will be charged at the unit price of $900 per site visit per person. Any MEP Engineering costs associated with preparation of Construction Documents for Phases 2 and 3 is included in the MEP Engineer's lump sum amount listed under the Construction Phase.

Note 5: Reimbursables are included above as a budget and will be billed based on actual reimbursable expenses incurred plus an Architect's mark-up of 10%.

EXHIBIT "F"

[INTENTIONALLY OMITTED]

EXHIBIT "G"

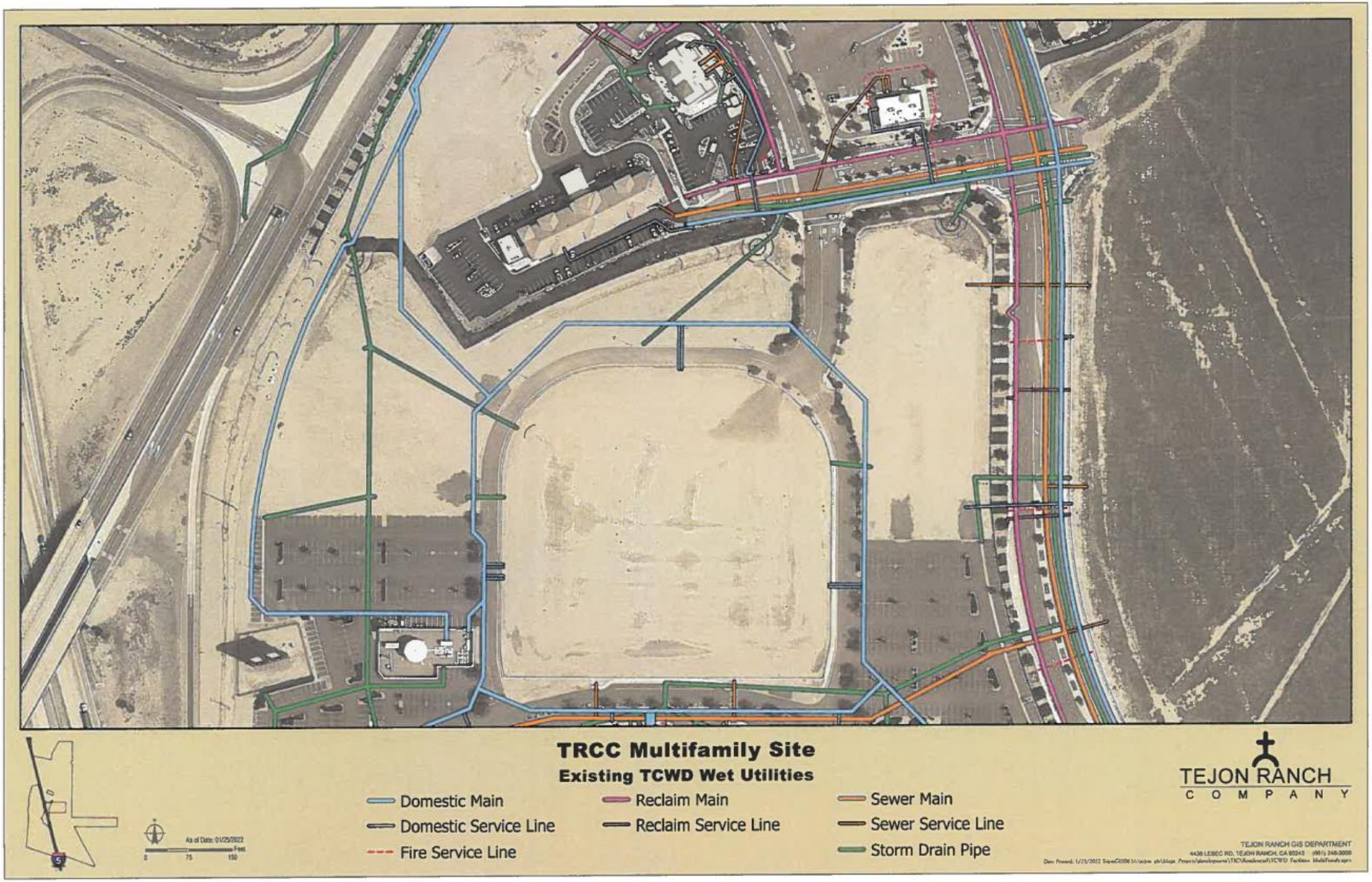
MASTER DEVELOPER WORK

The Master Developer Work will consist of bringing connections to offsite utility infrastructure to the Project site, including, but not limited to, water, wastewater, sewer, electricity, gas, cable, internet, and telephone, in coordination with the Company to meet the needs of the Project. In accordance with Section 2.12 of the Agreement, prior to commencing the Master Developer Work, the Executive Committee shall reasonably agree upon the location of all utility connections.

The Master Developer Work shall consist of utility infrastructure of a sufficient size and capacity for the Project, which includes, but is not limited to, servicing up to 495 individual apartment units. The Executive Committee shall have the right to review and approve the capacity of the utility infrastructure and utility providers (which approval shall not be unreasonably withheld, delayed or conditioned).

The Master Developer Work will be completed in coordination with the Company's development and construction teams to ensure that the Project timelines and requirements are met. Further, the Master Developer Work will be completed in accordance with the requirements of Kern County, the applicable utility companies, and any other governmental entity having jurisdiction over the Project.

For reference, the two (2) attached exhibits depict first, TCWD wet utilities currently in place on or near the Project site, and second, points of connection for dry utilities on or near the Project site as well as a conceptual dry utility plan for the Project.


TRCC Multifamily Site
Existing TCWD Wet Utilities
Domestic Main
Domestic Service Line
Fire Service Line
Reclaim Main
Reclaim Service Line
Sewer Main
Sewer Service Line
Storm Drain Pipe
As of Date: 01/25/2022
Feet
0
75
150
TEJON RANCH
COMPANY
TEJON RANCH GIS DEPARTMENT

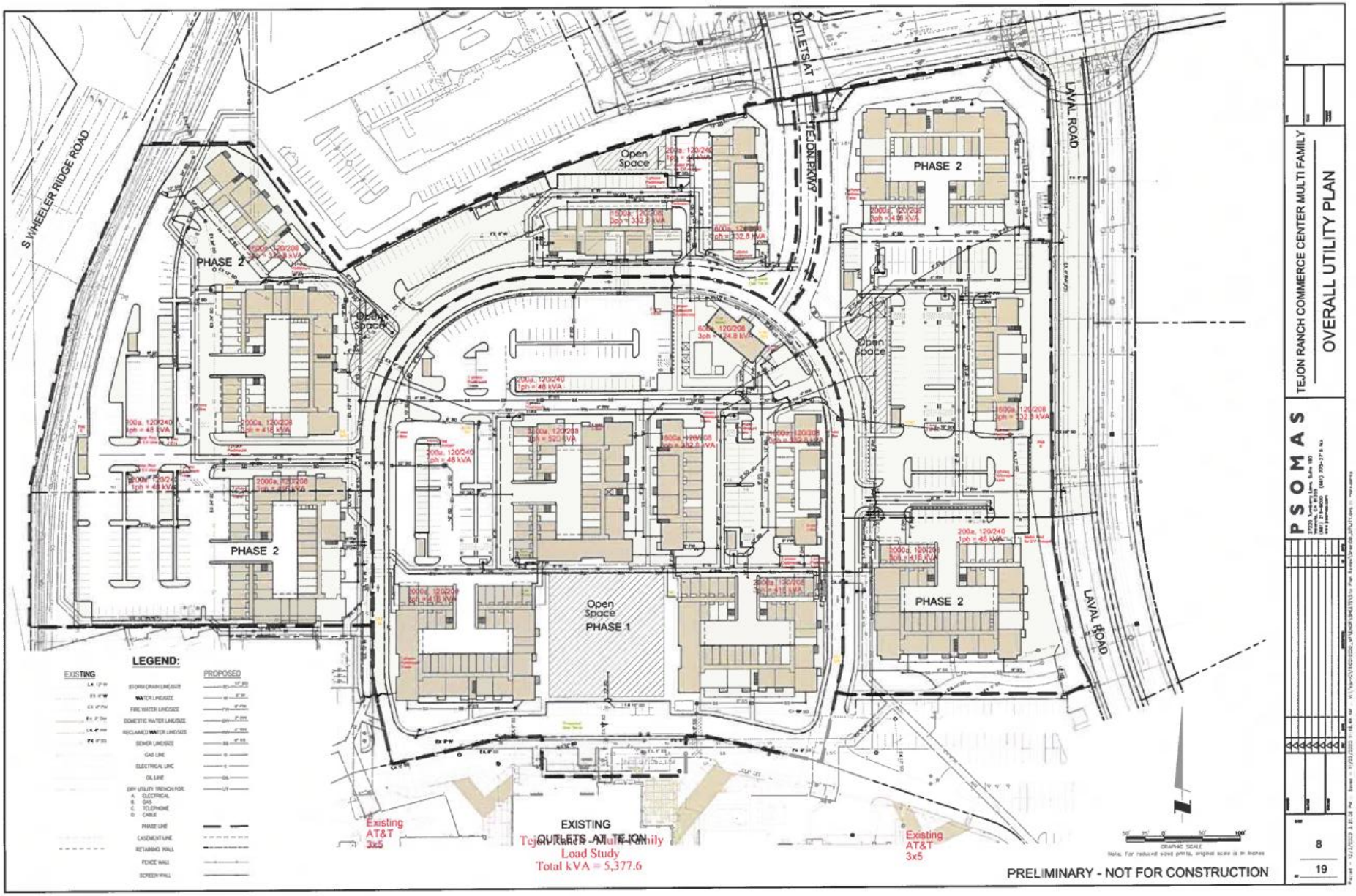

S WHEELER RIDGE ROAD
OUTLETS AT TEJON PKWY
LAVAL ROAD
PHASE 2
PHASE 1
Open Space
LEGEND:
EXISTING
PROPOSED
PHASE LINE
EASEMENT LINE
RETAINING WALL
FENCE WALL
SCREEN WALL
Existing AT&T 3x5
EXISTING OUTLETS AT TEJON
Tejon Ranch Commerce Center Multi Family
Load Study
Total kVA = 5,377.6
Existing AT&T 3x5
PRELIMINARY - NOT FOR CONSTRUCTION
TEJON RANCH COMMERCE CENTER MULTI FAMILY
OVERALL UTILITY PLAN
PSOMAS
8
19

EXHIBIT "H"

RIGHT OF FIRST REFUSAL

Except for transfers permitted by Sections 6.02(a), (b), (c), (d), (e) and (f) each time a Member (an "**Offeror**") proposes to voluntarily transfer, assign, convey, sell, or otherwise dispose of its entire Interest (an "**Offered Interest**"), such Offeror shall first offer such Offered Interest to the non-transferring Member in accordance with the following provisions:

(a) The Offeror shall deliver a written notice (the "**Offer Notice**") to the non-transferring Member stating (i) such Offeror's bona fide intention to transfer the Offered Interest, (ii) the name and address of the proposed transferee, and (iii) the purchase price and terms of payment for which the Offeror proposes to transfer the Offered Interest. The Offer Notice shall constitute a revocable offer by the Offeror to sell the Offered Interest to the other Member on the terms and conditions set forth in this Exhibit "H."

(b) Within thirty (30) days after receipt of the Offer Notice, the non-transferring Member shall have the right, but not the obligation, to elect to purchase the entire Offered Interest for the price and upon the terms and conditions set forth in the Offer Notice by delivering written notice of such election (the "**Purchase Election**") to the Offeror. The failure of non-transferring Member to submit a written notice within such thirty (30) day period shall constitute an irrevocable rejection of the offer made by the Offeror to sell the Offered Interest to the non-transferring Member.

(c) If the non-transferring Member timely elects to purchase the entire Offered Interest prior to the Offeror's written revocation of the offer, then the Offered Interest shall be sold to the non-transferring Member upon the terms and conditions set forth in the Offer Notice including, without limitation, price, terms of payment and closing date; provided, however, if the terms of the proposed transfer include the payment by the Offeror of a commission, then the purchase price shall be reduced by the amount of such commission. The Offeror and the non-transferring Member shall execute such documents and instruments and make such deliveries as may be reasonably required to consummate the transfer. Notwithstanding any other provisions of this Exhibit "H," the Offeror shall make the representations and warranties set forth in Section 8.07 of the Agreement at the closing for the purchase and sale of the Offered Interest.

(d) If the non-transferring Member does not timely elect to purchase the entire Offered Interest (or if the non-transferring Member breaches its obligation to purchase the entire Offered Interest), then the Offeror may transfer the entire Offered Interest to the proposed transferee described in the Offer Notice, provided such transfer (i) is completed within ninety (90) days after the expiration of the non-transferring Member's right to purchase the Offered Interest (or within 90 days following the breach by the non-transferring Member of its obligation to purchase the entire Offered Interest, if applicable), (ii) is made at the price and on terms and conditions no less favorable to the Offeror than as described in the Offer Notice, (iii) would not constitute a default or breach by the Company under any loan agreement or document to which the Company is a party (unless the lender consents to such transfer), and (iv) the requirements of Section 6.03 are met. If the Offered Interest is not so transferred within such ninety (90)-day period, then the Offeror shall

be required to comply again with the provisions of this Exhibit "H" prior to voluntarily transferring, assigning, conveying, selling or otherwise disposing of the Offered Interest to any Person (except for any transfer to any Person permitted by Sections 6.02(a), (b), (c), (d), (e) and (f) above). In addition, in the event of a breach by the non-transferring Member of its obligation to purchase, such non-transferring Member shall not have a right to elect to purchase an Offered Interest with respect to a transfer of an Interest which is consummated within one (1) year after such breach.

(e) If any transferee purchases an Interest pursuant to the procedure described in this Exhibit "H," then such transferee shall be admitted to the Company as a substituted member upon the closing of such purchase and sale and the satisfaction of the requirements of Section 6.03.

LIMITED LIABILITY COMPANY AGREEMENT
OF
TRC-MRC MULTI I, LLC

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, 15 U.S.C. § 15b ET SEQ., AS AMENDED (THE "**FEDERAL ACT**"), IN RELIANCE UPON ONE (1) OR MORE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE FEDERAL ACT. IN ADDITION, THE ISSUANCE OF THIS SECURITY HAS NOT BEEN QUALIFIED UNDER THE DELAWARE SECURITIES ACT, THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968 OR ANY OTHER STATE SECURITIES LAWS (COLLECTIVELY, THE "**STATE ACTS**"), IN RELIANCE UPON ONE (1) OR MORE EXEMPTIONS FROM THE REGISTRATION PROVISIONS OF THE STATE ACTS. IT IS UNLAWFUL TO CONSUMMATE A SALE OR OTHER TRANSFER OF THIS SECURITY OR ANY INTEREST THEREIN TO, OR TO RECEIVE ANY CONSIDERATION THEREFOR FROM, ANY PERSON OR ENTITY WITHOUT THE OPINION OF COUNSEL FOR THE COMPANY THAT THE PROPOSED SALE OR OTHER TRANSFER OF THIS SECURITY DOES NOT AFFECT THE AVAILABILITY TO THE COMPANY OF SUCH EXEMPTIONS FROM REGISTRATION AND QUALIFICATION, AND THAT SUCH PROPOSED SALE OR OTHER TRANSFER IS IN COMPLIANCE WITH ALL APPLICABLE STATE AND FEDERAL SECURITIES LAWS. THE TRANSFER OF THIS SECURITY IS FURTHER RESTRICTED UNDER THE TERMS OF THE LIMITED LIABILITY COMPANY AGREEMENT GOVERNING THE COMPANY, A COPY OF WHICH IS ON FILE WITH THE COMPANY.

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Exhibits

LIST OF SUBSIDIARIES OF REGISTRANT

EXHIBIT 21

(21) Subsidiaries of Registrant
A. Registrant: Tejon Ranch Co.
B. Subsidiaries of Registrant

a. Tejon Ranchcorp, 100% owned by Registrant.

b. Laval Agricultural Company, formerly Tejon Farming Company.

c. Tejon Ranch Feedlot, Inc.

d. White Wolf Corporation.

e. Tejon Development Corporation.

f. Tejon Industrial Corp.

g. Tejon Energy LLC.

h. Centennial Founders LLC, Delaware limited liability company, 84% owned by Tejon Ranchcorp.

i. Tejon Hounds, LLC.

j. Tejon Mountain Village, LLC., Delaware limited liability company.

k. Tejon Ranch Wine Company, LLC.

m. TRCC - West One, LLC.

C. Each of the aforesaid subsidiaries is included in Registrant's Consolidated Financial Statements, set forth in answer to Item 15(a)(1) hereof.
D. Each of the aforesaid subsidiaries (a) is a corporation unless otherwise stated, (b) was organized and incorporated or filed under the laws of the State of California unless otherwise stated, and (c) has 100% of its common stock (if a corporation) or membership interest (if a limited liability company) owned by Tejon Ranchcorp unless otherwise stated.
E. Each of the aforesaid subsidiaries does business under its name, as shown. Registrant also does business under the name Tejon Ranch Company. Tejon Ranchcorp also does business under the names Tejon Ranch Company, Tejon Ranch, Grapevine Center, Grapevine Press, High Desert Hunt Club and Laval Farms. Laval Agricultural Company does business also under the names Laval Farms and Tejon Ranch. Tejon Industrial Corp. also does business under the name Tejon Ranch Commerce Center and Tejon Industrial Complex.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

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

(1) Registration Statement (Form S-8 No. 333-210500) relating to the Amended and Restated 1998 Stock Incentive Plan and Amended and Restated Non-Employee Director Stock Incentive Plan of Tejon Ranch Co.,
(2) Registration Statement (Form S-8 No. 333-152804) relating to the Amended and Restated 1998 Stock Incentive Plan of Tejon Ranch Co.,
(3) Registration Statement (Form S-8 No. 333-68869) relating to the 1998 Stock Incentive Plan and Non-Employee Director Stock Incentive Plan of Tejon Ranch Co.,
(4) Registration Statement (Form S-8 No. 333-70128) relating to the 1998 Stock Incentive Plan of Tejon Ranch Co.,
(5) Registration Statement (Form S-8 No. 333-113887) relating to the Tejon Ranch Nonqualified Deferred Compensation Plan of Tejon Ranch Co., and
(6) Registration Statement (Form S-3 No. 333-231032) of Tejon Ranch Co.,

of our reports dated March 3, 2022, relating to the financial statements of Tejon Ranch Co. and subsidiaries and the effectiveness Tejon Ranch Co. and subsidiaries' internal control over the financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 3, 2022

EXHIBIT 23.3

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-210500, 333-152804, 333-68869, 333-70128, 333-113887) and the Registration Statement and related Prospectus on Form S-3 (No. 333-231032) of Tejon Ranch Co. of our report dated March 2, 2022, relating to the consolidated financial statements of Petro Travel Plaza Holdings LLC, appearing in this Annual Report on Form 10-K of Tejon Ranch Co. for the year ended December 31, 2021.

/s/ RSM US LLP

Cleveland, Ohio
March 2, 2022

EXHIBIT 31.1

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

I, Gregory S. Bielli, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: March 3, 2022

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

EXHIBIT 31.2

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

I, Robert D. Velasquez, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: March 3, 2022

/s/ Robert D. Velasquez
Robert D. Velasquez
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 Annual Report of the Company on Form 10-K for the period ended December 31, 2021 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

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

Dated: March 3, 2022

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

/s/ Robert D. Velasquez
Robert D. Velasquez
Chief Financial Officer

Petro Travel Plaza Holdings LLC

Consolidated Financial Statements

For the Years Ended December 31, 2021, 2020 and 2019

Report of Independent Registered Public Accounting Firm

To the Members of
Petro Travel Plaza Holdings LLC

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

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

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

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

Critical Audit Matters
Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ RSM US LLP

We have served as the Company's auditor since 2015.

Cleveland, Ohio
March 2, 2022

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

	December 31,	
	2021	**2020**
Assets		
Current assets:		
Cash	$ 13,530	$ 10,9
Inventory	2,585	2,2
Due from affiliate, net	717	1,2
Other current assets	371	1
Total current assets	17,203	14,5
Property and equipment, net	60,587	62,6
Other noncurrent assets	274	3
Total assets	$ 78,064	$ 77,5
Liabilities and Members' Capital		
Current liabilities:		
Accrued expenses and other current liabilities	$ 3,648	$ 2,3
Total current liabilities	3,648	2,3
Long term debt, net	14,081	14,8
Other noncurrent liabilities	1,476	7
Total liabilities	19,205	17,9
Members' capital	58,859	59,5
Total liabilities and members' capital	$ 78,064	$ 77,5

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
Revenues:			
Fuel	$ 98,974	$ 58,271	$ 84,18
Nonfuel	38,116	28,060	33,52
Total revenues	137,090	86,331	117,70
Costs and expenses:			
Cost of goods sold (excluding depreciation and amortization):			
Fuel	86,350	43,986	65,94
Nonfuel	14,477	10,834	12,75
Total cost of goods sold	100,827	54,820	78,69
Operating expense	24,902	19,032	21,20
Depreciation and amortization expense	2,785	2,561	2,47
Other operating income, net	(5)	—	-
Total costs and expenses	128,509	76,413	102,37
Operating income	8,581	9,918	15,33
Interest expense, net	319	382	64
Net income	$ 8,262	$ 9,536	$ 14,68

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
Cash flows from operating activities:			
Net income	$ 8,262	$ 9,536	$ 14,68
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	2,785	2,561	2,47
Gain on sale of assets, net	(5)	—	-
Debt issuance cost amortization	4	4	
(Decrease) increase from changes in:			
Inventory	(352)	176	-
Other current assets	(178)	(50)	(10
Due to/from affiliate, net	523	3,320	(2,59
Accrued expenses and other current liabilities	1,509	122	3
Other, net	20	(163)	-
Net cash provided by operating activities	12,568	15,506	14,51
Cash flows from investing activities:			
Purchases of property and equipment	(505)	(6,851)	(3,74
Net cash used in investing activities	(505)	(6,851)	(3,74
Cash flows from financing activities:			
Distributions to members	(9,000)	(10,000)	(6,00
Payments on term loan	(447)	—	-
Net cash used in financing activities	(9,447)	(10,000)	(6,00
Net increase (decrease) in cash	2,616	(1,345)	4,77
Cash, beginning of period	10,914	12,259	7,48
Cash, end of period	$ 13,530	$ 10,914	$ 12,25
Supplemental cash flow information:			
Interest paid during the period	$ 322	$ 394	$ 65

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

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

	Members' Capital
Balance, December 31, 2018	$ 51,3
Net income	14,6
Distributions to members	(6,0
Balance, December 31, 2019	60,0
Net income	9,5
Distributions to members	(10,0
Balance, December 31, 2020	59,5
Net income	8,2
Distributions to members	(9,0
Balance, December 31, 2021	$ 58,8

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

(in thousands)

(1) Summary of Significant Accounting Policies

General Information and Basis of Presentation

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

As of December 31, 2021, the Company has two travel centers, three convenience stores with retail gasoline stations and one standalone restaurant in Southern California, which we refer to collectively as the locations. One travel center and two convenience stores, owned by PTP, operate under the Petro brand and Goasis brand, respectively, and one travel center and one convenience store owned by ETP, operate under the TravelCenters of America brand and Goasis brand, respectively. The one standalone restaurant, owned by ETP, operates under the Black Bear Diner brand. The travel centers offer a broad range of products and services, including diesel fuel and gasoline, as well as nonfuel products and services such as truck repair and maintenance services, full service restaurants, quick service restaurants ("QSRs") and various customer amenities, such as showers, weigh scales, a truck wash and laundry facilities. The convenience stores offer gasoline as well as a variety of nonfuel products and services, including coffee, groceries, some fresh foods, and, in one store, a QSR.

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

Members		
Tejon	60.0	%
TA	40.0	%

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

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

In March 2020, the World Health Organization, declared the outbreak of COVID-19 a pandemic, and, in response to the outbreak, the U.S. Health and Human Services Secretary declared a public health emergency in the United States and many states and municipalities declared public health emergencies. Various governmental responses attempting to contain and mitigate the spread of the virus have negatively impacted, and continue to negatively impact, the global economy, including the U.S. economy.

The Company believe that its travel centers and the truck drivers that it serves are critical to sustaining a resilient supply chain to support essential services and daily commerce across the United States. To date during the COVID-19 pandemic, the Company's business has benefited from an increased demand for e-commerce and from being recognized by various governmental authorities as a provider of services essential to businesses, which allowed the Company to continue operating the travel centers through the COVID-19 pandemic. The Company has taken various actions and has incurred additional costs in response to the pandemic to address its operating and financial impact and to protect the health and safety of the Company's customers, employees and other persons who visit its travel centers and restaurants.

The U.S. economic conditions have improved significantly in the United States from the low points experienced during the pandemic. Commercial activities in the United States rebounded and grew in part due to government spending on pandemic

relief, infrastructure and other matters. This recent economic growth may have had some impact on the Company's sales as during 2021 the diesel fuel sales volume increased 13.8% and total nonfuel revenues increased 35.8%, as compared to the prior year.

Government and market responses to the COVID-19 pandemic have caused supply chain and labor availability issues, which at times have resulted in reduced availability of goods and inflationary pressures; inflationary pressures have continued into 2022 and remain heightened. The ultimate adverse impact of the COVID-19 pandemic or a similar health crisis is highly uncertain. If these challenges continue, or if governments take further actions in response to these challenges, the business, results of operations and financial position may be negatively impacted. The Company is continuing to closely monitor the impact of the pandemic on all aspects of its business and intend to respond to developments accordingly.

The Company has evaluated subsequent events through March 2, 2022, which represents the date the financial statements were available to be issued.

During the fourth quarter of 2021, the Company executed separate agreements with two national retail gasoline suppliers to re-image certain sites to sell those brands of fuel. If these conversions are completed by the Company and approved by the suppliers, the suppliers will pay the Company lump sum re-imaging allowances plus the reimbursement of certain expenses incurred to convert the sites. During January 2022, one supplier paid the Company an interim advance of $700 related to the re-imaging. As of March 2, 2022, the Company has started, but not completed, these conversions. The Company has the right to terminate the re-imaging agreements but would be obligated to return all or a portion of the re-imaging allowances according to certain long-term milestones in the respective agreements.

Significant Accounting Policies

Inventory

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

Property and Equipment

Property and equipment are recorded at historical cost. Depreciation and amortization expense are provided using the straight line method over the estimated useful lives of the respective assets. Repairs and maintenance are charged to expense as incurred and amounted to $961, $872 and $912 for the years ended December 31, 2021, 2020 and 2019, respectively. Renewals and betterments are capitalized. The cost and related accumulated depreciation of property and equipment sold, replaced or otherwise disposed is removed from the related accounts. Gains or losses on disposal of property and equipment are credited or charged to depreciation and amortization expense in the accompanying consolidated statements of income.

(in thousands)

Impairment of Long Lived Assets

The Company reviews definite lived assets for potential indicators of impairment during each reporting period. The impact of the COVID-19 pandemic on the Company's operations was included in its analyses. The Company recognizes impairment charges when (a) the carrying value of a long lived asset or asset group to be held and used in the business is not recoverable and exceeds its fair value and (b) when the carrying value of a long lived asset or asset group to be disposed of exceeds the estimated fair value of the asset less the estimated cost to sell the asset. The Company's estimates of fair value are based on its estimates of likely market participant assumptions, including projected operating results and the discount rate used to measure the present value of projected future cash flows. The Company uses a number of assumptions and methods in preparing valuations underlying impairment tests including estimates of future cash flows and discount rate, and in some instances may obtain third party appraisals. The Company recognizes such impairment charges in the period during which the circumstances surrounding an asset or asset group to be held and used have changed such that the carrying value is no longer recoverable, or during which a commitment to a plan to dispose of the asset or asset group is made. The Company performs an impairment analysis for substantially all of its property and equipment at the individual site level because that is the lowest level of asset and liability groupings for which the cash flows are largely independent of the cash flows of other assets and liabilities. During 2021, 2020, and 2019 the Company did not record any impairment charges related to its long lived assets.

Environmental Liabilities and Expenditures

The Company records the expense of remediation charges and penalties when the obligation to remediate is probable and the amount of associated costs is reasonably determinable. The Company includes remediation expenses within operating expense in the accompanying consolidated statements of income. Generally, the timing of remediation expense recognized coincides with the completion of a feasibility study or the commitment to a formal plan of action. Accrued liabilities related to environmental matters are recorded on an undiscounted basis because of the uncertainty associated with the timing of the related future payments. In the Company's consolidated balance sheets, the accrual for environmental matters is included in other noncurrent liabilities, with the amount estimated to be expended within the subsequent 12 months included in other current liabilities.

Recently Issued Accounting Pronouncements

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

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

Asset Retirement Obligations

Asset retirement costs are capitalized as part of the cost of the related long lived asset and such costs are allocated to expense using a systematic and rational method. To date, these costs relate to the Company's obligation to remove underground storage tanks ("USTs") used to store fuel and motor oil. The Company records a liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long lived asset at the time a UST is installed. The Company amortizes the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the remaining life of the respective UST, which is included in depreciation and amortization expense in the accompanying consolidated statements of income. The Company bases the estimated liability on its historical experiences in removing these assets, estimated useful lives, external estimates as to the cost to remove the assets in the future and regulatory or contractual requirements. Asset retirement obligations at December 31, 2021 and 2020 were $235 and $215, respectively and are presented in other noncurrent liabilities in the Company's consolidated balance sheets.

Self Insurance Accruals

For insurance programs for which the Company pays deductibles and for which the Company is partially self insured up to certain stop loss amounts, the Company establishes accruals for both estimated losses on known claims and potential claims incurred but not reported, based on claims histories and using actuarial methods. In the Company's consolidated balance sheets, the accrual for self insurance costs is included in other noncurrent liabilities, with the amount estimated to be expended within the subsequent 12 months included in accrued expenses and other current liabilities.

Revenue Recognition

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

Advertising and Promotion Expense

Costs incurred in connection with advertising and promotions are expensed as incurred. Advertising and promotion expenses, which are included in operating expense in the accompanying consolidated statements of income, were $483, $322 and $414 for the years ended December 31, 2021, 2020 and 2019, respectively.

Income Taxes

The Company is not subject to federal or state income taxes. Results of operations are allocated to the members in accordance with the provisions of the Operating Agreement and reported by each member on its federal and state income tax returns. The taxable income or loss allocated to the members in any one year generally varies substantially from income or loss for financial reporting purposes due to differences between the periods in which such items are reported for financial reporting and income tax purposes.

Comprehensive Income

As of December 31, 2021, the Company had no comprehensive income, other than the net income disclosed in the consolidated statements of income.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation within the consolidated financial statements.

(2) Revenues

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

(in thousands)

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

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

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

- *Customer Loyalty Program.* The Company offers travel center trucking customers the option to participate in TA's customer loyalty program. The customer loyalty program provides customers with the right to earn loyalty awards on qualifying purchases that can be used for discounts on future purchases of goods or services. The Company applies a relative standalone selling price approach to its outstanding loyalty awards whereby a portion of each sale attributable to the loyalty awards earned is deferred and will be recognized as revenue in the category in which the loyalty awards are redeemed upon the redemption or expiration of the loyalty awards. Significant judgment is required to determine the standalone selling price for loyalty awards. Assumptions used in determining the standalone selling price include the historic redemption rate and the use of a weighted average selling price for fuel to calculate the revenues attributable to the loyalty awards.
- *Customer Discounts and Rebates.* TA enters into agreements with certain customers on behalf of the Company in which it agrees to provide discounts on fuel and/or truck service purchases, some of which are structured as rebates payable to the customer after the end of the period. The Company recognizes the cost of discounts against, and in the same period as, the revenues that generated the discounts earned.
- *Gift Cards.* The Company sells branded gift cards. Sales proceeds are recognized as a contract liability; the liability is reduced and revenue is recognized when the gift card subsequently is redeemed for goods or services. Unredeemed gift card balances are recognized as revenues when the possibility of redemption becomes remote.

Disaggregation of Revenues

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

Contract Liabilities

The Company's contract liabilities, which are presented in its consolidated balance sheets in other current liabilities, primarily include deferred revenue related to gift cards. Contract liabilities were $2 and $2 as of December 31, 2021 and 2020, respectively.

(3) Inventory

Inventory as of December 31, 2021 and 2020, consisted of the following:

	December 31,	
	2021	**2020**
Nonfuel products	$ 1,815	$ 1,791
Fuel products	770	442
Total inventory	$ 2,585	$ 2,233

(in thousands)

(4) Property and Equipment

Property and equipment, net, as of December 31, 2021 and 2020, consisted of the following:

	Estimated Useful Lives (years)	December 31, 2021	December 31, 2020
Land and improvements		$ 39,471	$ 39,434
Buildings and improvements	10-40	38,936	38,818
Machinery, equipment and furniture	3-15	15,637	15,753
Construction in progress		383	751
Leasehold improvements		—	44
Property and equipment, at cost		94,427	94,800
Less: accumulated depreciation and amortization		33,840	32,171
Property and equipment, net		$ 60,587	$ 62,629

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was $2,765, $2,543 and $2,456, respectively.

(5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2021 and 2020, consisted of the following:

	December 31, 2021	December 31, 2020
Taxes payable, other than income taxes	$ 1,572	$ 692
Long term debt, current portion	767	447
Self insurance accrual, current portion	546	362
Accrued capital expenditures	146	359
Accrued vacation wages	127	83
Accrued advances and royalties	177	73
Accrued utilities	65	72
Accounts payable	68	32
Other	180	189
Total accrued expenses and other current liabilities	$ 3,648	$ 2,309

(6) Long Term Debt, net

Long term debt, net of deferred financing costs as of December 31, 2021 and 2020, consisted of the following:

	December 31, 2021	December 31, 2020
Note payable to a bank	$ 14,848	$ 15,291
Less: current portion of long term debt	767	447
Total long term debt, net	$ 14,081	$ 14,844

The Company has a credit agreement with a bank that was amended in July 2016 to, among other things, decrease the interest rate on the debt to LIBOR plus 1.95%, payable monthly. Future minimum principal payments on the note payable of $767 are due in each of the years 2022, 2023, 2024, 2025 and 2026 and $11,049 thereafter. The credit agreement includes certain financial covenants, with which the Company was in compliance with at December 31, 2021. At December 31, 2021, the interest rate was 2.05%. The Company's weighted average interest rates for the years ended December 31, 2021, 2020 and 2019 were 2.05%, 2.48% and 4.18%, respectively. The debt is secured by the Company's real property.

Debt Issuance Costs

Debt issuance costs are presented on the consolidated balance sheets as a reduction of long term debt, net and for the years ended December 31, 2021 and 2020, were $36 and $40, net of accumulated amortization of debt issuance costs of $21 and $17, respectively. The Company estimates it will recognize future amortization of debt issuance costs of $4 in each of the years 2022, 2023, 2024, 2025 and 2026.

(7) Related Party Transactions

TA Operating LLC

Pursuant to the terms of the Operating Agreement, TA provides cash management services to PTP, including the collection of accounts receivable. Accounts receivable are periodically transferred to TA for collection and any amounts for which PTP has not received payment from TA are reflected as due from affiliate, net in the accompanying consolidated balance sheets. Amounts due from affiliate, net as of December 31, 2021 and 2020, were $717 and $1,240, respectively. Pursuant to the terms of the Operating Agreement, TA manages the locations and is responsible for the administrative, accounting and tax functions of the Company. TA receives a management fee for providing these services, which may not be commensurate with the cost of these services were the Company to perform these internally or obtain them from an unrelated third party. The Company paid management fees to TA in the amount of $1,639, $1,506 and $849 for the years ended December 31, 2021, 2020 and 2019, respectively, which fees are included in operating expense in the accompanying consolidated statements of income. In November 2016, the Company further amended the Operating Agreement to, among other things, (a) increase the annual management fee to $1,300 effective January 1, 2017, with annual increases equal to the lesser of (i) the increase in the Customer Price Index, or (ii) 2.5% and (b) include any additional new builds or significant renovation projects in the construction management fee. In November 2019, the Company further amended the Operating Agreement to, among other things, increase the annual management fee by $100. In addition to management services and staffing provided by TA, the Operating Agreement grants the Company the right to use all of TA's names, trade names, trademarks and logos to the extent required in the operation of the Company's travel centers and convenience stores.

TA purchases fuel and nonfuel products on the Company's behalf. In December 2019, the U.S. government retroactively reinstated the federal biodiesel blenders' tax credit for 2018 and 2019, as well as approved the federal biodiesel blenders' tax credit through 2022. As a result, the Company benefited from a $1,848 reduction to its fuel cost of goods sold in the year ended December 31, 2020, which is included in due from affiliate, net in the accompanying consolidated balance sheets as of December 31, 2020. For the years 2020 through 2022, the benefit of the federal biodiesel blenders' tax credit will be included in the price TA pays for biodiesel. As of December 31, 2021, all of the federal biodiesel blenders' tax credit that was recognized in 2020 has been collected. In 2021, the Company benefited from a $1,957 reduction in its fuel cost of goods sold in the year ended December 31, 2021.

The employees operating the Company's travel centers, convenience stores and standalone restaurant are TA employees. In addition to the management fees described above, the Company reimbursed TA for wages and benefits related to these employees that aggregated $12,338, $9,394 and $10,719 for the years ended December 31, 2021, 2020 and 2019, respectively. These reimbursements were recorded in operating expense in the accompanying consolidated statements of income.

Tejon Development Corporation

In April 2020, the Company purchased from Tejon, a building and parcel of land for $2,000. In December 2019, the Company purchased from Tejon, a newly developed building and a parcel of land for $2,814. The Company accounted for these transactions as asset acquisitions.

(8) Contingencies

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

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

Accruals for environmental matters are recorded in operating expense when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. From time to time the Company has received, and in the future likely will receive, notices of alleged violations of environmental laws or otherwise has become or will become aware of the need to undertake corrective actions to comply with environmental laws at its properties. Investigatory and remedial actions were, and regularly are, undertaken with respect to releases of hazardous substances. The Company had an accrual for environmental matters of $23 and $23 as of December 31, 2021 and 2020, respectively, which was presented in the accompanying consolidated balance sheets in other noncurrent liabilities, with the amount estimated to be expended within the subsequent 12 months in accrued expenses and other current liabilities. Accruals are periodically evaluated and updated as information regarding the nature of the clean up work is obtained. In light of the Company's business and the quantity of petroleum products that it handles, there can be no assurance that currently unidentified hazardous substance contamination does not exist or that liability will not be imposed in the future in materially different amounts than those the Company has recorded. See Note 1 for a discussion of the Company's accounting policies relating to environmental matters.