

# Bixby Land Company

Determination of Gross Value as of September 1, 2021

Issued: September 2, 2021

CONFIDENTIAL



# I. Executive Summary



September 2, 2021

The Board of Directors  
C/O Martin O'Hea  
Chief Financial Officer  
Bixby Land Company  
1501 Quail Street, Suite 230  
Newport Beach, CA 92660

Dear Mr. O'Hea:

Stout Risius Ross, LLC ("Stout") has been engaged to determine the Gross Value (as defined below), per share, of the common stock of Bixby Land Company ("Bixby" or the "Company"), on a controlling interest basis (the "Subject Interest"), as of September 1, 2021 (the "Valuation Date"). For purposes of this report, "Gross Value" is defined as the Fair Market Value of the common stock of the Company, but without application of discounts for lack of control and lack of marketability (and thus equal to a common share's proportionate share of the Fair Market Value of the Company on a controlling interest basis). We understand the results of our analysis will be used for general planning purposes, including use in an executive compensation plan.

Pursuant to a mineral rights royalty lease entered into in August 2017, the Company is entitled to royalty payments ("Oil Royalty Rights") from oil production extracted from approximately 1,016 acres in Long Beach, California, where the Company had previously owned land but had retained the mineral rights. The oil company commenced drilling during 2019 and the Company began receiving monthly royalty payments in early 2020. Based on our discussions with management, it is our understanding that the value

of the Oil Royalty Rights should be included in our calculation of Gross Value per share. Based thereon, we have separately valued the Oil Royalty Rights and incorporated the value as a nonoperating asset.

## Company Synopsis

Bixby is a private real estate investment trust ("REIT") with a portfolio of approximately 7.3 million square feet of primarily industrial, research and development ("R&D"), and office space throughout the Western, Southwestern, and Southeastern United States. The Company elected to be taxed as a REIT effective January 1, 2005. As a REIT, the Company is required to pay out distributions of at least 90.0% of taxable income.

## Definition of Value

For purposes of our valuation, the term "Fair Market Value" is defined as the price at which property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.<sup>1</sup>

The term "property" reflects the combined tangible and intangible assets of a company, as components of a going concern, and gives consideration to all known liabilities. The terms "willing buyer" and "willing seller" refer to hypothetical parties rather than any particular buyer or seller. It is important to note that the specific incentives or attributes of particular buyers and sellers may not be the same as the hypothetical buyer and seller from which Fair Market Value is determined.

<sup>1</sup> Revenue Ruling 59-60, 1959-1 C.B. 237.

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## Premise of Value

When estimating the Fair Market Value of a controlling interest, we typically consider whether to analyze the subject business enterprise on a going-concern or liquidation basis. As economic theory holds that a controlling interest holder will seek to maximize the value of his interest, the determination of whether to use a going-concern or liquidation premise of value may depend on which basis provides a higher indication of value.

## Factors Considered

Our analysis considered the valuation guidelines referenced in Revenue Ruling 59-60, 1959-1 C.B. 237, which include consideration of the following factors:

- the nature of the business and the history of the Company from its inception;
- the economic outlook in general and the condition and outlook of the industry in which the Company operates;
- the book value of the stock and the financial condition of the Company;
- the earnings capacity of the Company;
- the dividend-paying capacity of the Company;
- whether goodwill or other intangible value exists within the Company;
- previous sales of the Company's stock and the size of the block of stock to be valued; and

- the market prices of stocks of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.

## Information Reviewed and Procedures Performed

We reviewed several sources of information during the course of the valuation analysis including, but not limited to, the following:

- Bixby's audited consolidated financial statements for the years ended December 31, 2016 through 2020;
- Bixby's internally prepared financial statements for the years ended December 31, 2016 through 2020;
- Bixby's internally prepared financial statements for the seven-month periods ended July 31, 2020 and 2021;
- Bixby's projected income statements for the years ending December 31, 2021 through 2025;
- Summary of individual property valuations prepared by management;
- Bixby's ownership structure;
- First Amended and Completely restated Bixby Land Company Long Term Growth Compensation Plan dated January 1, 2017, and the subsequent amendment dated January 1, 2021;
- information gathered from Bixby's corporate website; and
- Company brochures and other marketing materials.

In addition to the information reviewed above, we also performed the following procedures:

- held discussions with Bixby's management concerning its business, industry, history, and prospects; and

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- conducted an analysis of other facts and data resulting in our conclusion of value.

## Valuation Methodology

We used the following valuation methods to determine the Total Invested Capital (“TIC”) of the Company. Total Invested Capital represents the total invested capital of an enterprise, including common and preferred equity, interest-bearing debt, and noncontrolling interests. We then subtract the interest-bearing debt of the Company from its Total Invested Capital to determine the operating equity value of the Company.

- Discounted Cash Flow Method: We utilized the Discounted Cash Flow Method (“DCF Method”), a form of the Income Approach, to estimate the Total Invested Capital of the Company by discounting the projected future free cash flows of the Company using an appropriate discount rate. We performed the DCF Method using a “debt-free” analysis, which entails estimating the free cash flows available to both debt and equity investors.
- Guideline Public Company Method: We utilized the Guideline Public Company Method (“GPC Method”), a form of the Market Approach, to estimate the Total Invested Capital of the Company by multiplying historical and/or anticipated financial metrics of the Company by a multiple (e.g., a price to earnings multiple) we derived from an analysis of comparable publicly traded companies.
- Adjusted Book Value Method: The Adjusted Book Value Method (“ABV Method”), a form of the Asset Approach, can be used to estimate the operating equity value of the Company by subtracting the market value of the Company’s liabilities from the market value of the Company’s assets. We relied on the ABV Method in order to determine an indication of the operating equity value of the Company.

Our application of the DCF Method, GPC Method, and ABV Method represents a marketable, noncontrolling interest in the Company. Since we

are valuing a controlling interest in the Company, we considered the application of a control premium.

In separately valuing the Oil Royalty Rights, we have primarily utilized the DCF Method, but have also considered the application of the GPC Method as a reasonability check to our conclusion of value under the DCF Method.

## Conclusion

As further described in this report, we determined the Gross Value, per share, of the common stock of Bixby, on a controlling interest basis, as of the Valuation Date, to be:

**FOUR THOUSAND FOUR HUNDRED TWENTY-NINE DOLLARS  
AND THIRTY-FIVE CENTS**

**\$4,429.35 PER SHARE**

This valuation is subject to the assumptions and limiting conditions outlined in the exhibits of this report.

Regards,

A handwritten signature in black ink that reads "Stout Risius Ross, LLC".

**STOUT RISIUS ROSS, LLC**