

**Bixby Land Company and Subsidiaries**



**Consolidated Financial Statements**

**For the Years Ended  
December 31, 2024 and 2023**

# **BIXBY LAND COMPANY AND SUBSIDIARIES**

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## Report of Independent Auditors

To the Shareholders and Board of Directors of  
Bixby Land Company and Subsidiaries

### **Opinion**

We have audited the consolidated financial statements of Bixby Land Company and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Ernst & Young LLP*

March 25, 2025

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Consolidated Balance Sheets As of December 31, 2024 and 2023

ASSETS	2024	2023
<b>LAND, BUILDING AND IMPROVEMENTS, NET (Note 2)</b>	\$ 644,233,000	\$ 582,785,000
<b>INVESTMENTS IN UNCONSOLIDATED REAL ESTATE VENTURES (Note 4)</b>	16,374,000	13,118,000
<b>OTHER ASSETS</b>		
Cash and cash equivalents	43,741,000	85,050,000
Rent and other receivables (Note 12)	1,638,000	1,284,000
Deferred straight-line rents	15,812,000	12,860,000
Prepaid expenses	3,531,000	3,015,000
Lease commissions, net	12,532,000	9,498,000
Intangible assets, net (Note 5)	12,790,000	7,872,000
Deferred financing costs, deposits and other assets, net	3,229,000	2,838,000
<b>TOTAL OTHER ASSETS</b>	<b>93,273,000</b>	<b>122,417,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 753,880,000</b>	<b>\$ 718,320,000</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Notes payable, net of deferred financing costs (Note 6)	\$ 323,313,000	\$ 368,733,000
Secured line of credit (Note 7)	–	–
Accounts payable and accrued liabilities (Note 9)	20,463,000	24,140,000
Below-market leases, net (Note 5)	11,503,000	4,028,000
Security deposits and prepaid rent	8,265,000	6,926,000
Interest rate swap liability	46,000	182,000
<b>TOTAL LIABILITIES</b>	<b>363,590,000</b>	<b>404,009,000</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>EQUITY (Note 1)</b>		
Common stock, no par value, 728,580 shares authorized, issued and outstanding as of December 31, 2024 and 2023	39,323,000	39,323,000
Retained earnings	349,768,000	274,988,000
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>389,091,000</b>	<b>314,311,000</b>
Noncontrolling interests (related party) (Notes 4 and 12)	1,199,000	–
<b>TOTAL EQUITY</b>	<b>390,290,000</b>	<b>314,311,000</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 753,880,000</b>	<b>\$ 718,320,000</b>

The accompanying notes are an integral part of these statements.

**BIXBY LAND COMPANY AND SUBSIDIARIES**

**Consolidated Statements of Operations  
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>RENTAL REVENUE</b>	\$ 79,937,000	\$ 72,088,000
<b>RENTAL EXPENSES</b>	<u>21,276,000</u>	<u>16,903,000</u>
	<u>58,661,000</u>	<u>55,185,000</u>
<b>EXPENSES</b>		
General and administrative (Note 9)	12,033,000	11,809,000
Depreciation and amortization	23,314,000	21,467,000
Interest	18,113,000	17,888,000
	<u>53,460,000</u>	<u>51,164,000</u>
<b>GAIN ON SALE OF REAL ESTATE, NET (NOTE 3)</b>	77,674,000	11,089,000
<b>OPERATING INCOME (LOSS)</b>	<u>82,875,000</u>	<u>15,110,000</u>
<b>OTHER INCOME AND EXPENSE</b>		
Oil royalty income (Note 10)	1,122,000	1,097,000
Interest and dividend income	3,466,000	3,630,000
Other expense, net	(1,563,000)	(776,000)
Investment advisory, management and leasing services (primary to affiliates) (Note 12)	1,225,000	874,000
Net gains on interest rate swap	456,000	15,000
Equity in earnings of unconsolidated real estate ventures (Note 4)	20,959,000	3,084,000
	<u>25,665,000</u>	<u>7,924,000</u>
<b>INCOME (LOSS) BEFORE INCOME TAX EXPENSE (NOTE 1)</b>	108,540,000	23,034,000
<b>INCOME TAX EXPENSE (ATTRIBUTABLE TO THE COMPANY'S TAXABLE REIT SUBSIDIARY)</b>	<u>(94,000)</u>	<u>(211,000)</u>
<b>NET INCOME (LOSS)</b>	108,446,000	22,823,000
Income allocable to noncontrolling interests (Notes 4 and 12)	<u>(5,069,000)</u>	<u>(796,000)</u>
<b>NET INCOME (LOSS) ALLOCABLE TO COMMON SHAREHOLDERS</b>	<u>\$ 103,377,000</u>	<u>\$ 22,027,000</u>
<b>NET INCOME (LOSS) PER COMMON SHARE (BASIC AND DILUTED) <sup>1</sup></b>	<u>\$ 141.89</u>	<u>\$ 30.23</u>
Weighted average number of shares outstanding <sup>1</sup>	<u>728,580</u>	<u>728,580</u>

<sup>1</sup> Reflects the effect of the four-for-one stock split effected in June 2024 (Note 1)

The accompanying notes are an integral part of these statements.

**BIXBY LAND COMPANY AND SUBSIDIARIES**

**Consolidated Statements of Equity  
For the Years Ended December 31, 2024 and 2023**

	Number of Shares <sup>1</sup>	Common Stock	Retained Earnings	Total Shareholders' Equity	Noncontrolling Interests (Note 12)	Total Equity
<b>Balance at December 31, 2022</b>	<u>728,580</u>	<u>\$ 39,323,000</u>	<u>\$ 265,711,000</u>	<u>\$ 305,034,000</u>	<u>\$ —</u>	<u>\$ 305,034,000</u>
Net income (loss)	—	—	22,027,000	22,027,000	796,000	22,823,000
Contributions from affiliated noncontrolling interests	—	—	—	—	—	—
Dividends and distributions	—	—	(12,750,000)	(12,750,000)	(796,000)	(13,546,000)
<b>Balance at December 31, 2023</b>	<u>728,580</u>	<u>\$ 39,323,000</u>	<u>\$ 274,988,000</u>	<u>\$ 314,311,000</u>	<u>\$ —</u>	<u>\$ 314,311,000</u>
Net income (loss)	—	—	103,377,000	103,377,000	5,069,000	108,446,000
Contributions from affiliated noncontrolling interests	—	—	—	—	648,000	648,000
Dividends and distributions	—	—	(28,597,000)	(28,597,000)	(4,518,000)	(33,115,000)
<b>Balance at December 31, 2024</b>	<u>728,580</u>	<u>\$ 39,323,000</u>	<u>\$ 349,768,000</u>	<u>\$ 389,091,000</u>	<u>\$ 1,199,000</u>	<u>\$ 390,290,000</u>

<sup>1</sup> Reflects the effect of the four-for-one stock split effected in June 2024 (Note 1)

The accompanying notes are an integral part of these statements.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Consolidated Statements of Cash Flows For the Years Ended December 31, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 108,446,000	\$ 22,823,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization (including lease commissions, deferred loan costs and above/below market leases)	21,718,000	21,916,000
Gain on sale of real estate, net	(77,674,000)	(11,089,000)
Deferred straight-line rents	(3,942,000)	(743,000)
Loss on extinguishment of debt	427,000	–
Unrealized (gains) losses on fair value of interest rate swap	(136,000)	182,000
Equity in earnings of unconsolidated real estate ventures	(20,959,000)	(3,084,000)
Distributions of earnings from unconsolidated real estate ventures	21,395,000	4,042,000
Non-cash charge for stock appreciation rights	1,968,000	2,337,000
Changes in operating assets and liabilities:		
Rent and other receivables	(354,000)	(517,000)
Prepaid expenses	(516,000)	(1,137,000)
Deposits and other assets	(31,000)	(2,000)
Accounts payable and accrued expenses	(8,107,000)	(8,889,000)
Security deposits and prepaid rent	1,704,000	1,685,000
Net cash provided by operating activities	43,939,000	27,524,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of properties	(125,527,000)	(29,757,000)
(Escrow deposits) return of deposits for acquisitions	1,810,000	(2,500,000)
Capital improvements and leasing expenditures	(3,303,000)	(5,107,000)
Proceeds from sale of property, net of selling expenses	127,437,000	27,387,000
Investments in unconsolidated real estate ventures	(7,478,000)	(7,572,000)
Distributions of capital from unconsolidated real estate ventures	3,786,000	2,238,000
Maturity of certificate of deposit	–	5,064,000
Net cash used in investing activities	(3,275,000)	(10,247,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings under secured notes	–	30,000,000
Escrow deposits for future financings	(2,993,000)	
Repayment of secured notes	(45,962,000)	(2,717,000)
Refund of deposit for collateral substitution	–	–
Payment of deferred financing costs	(124,000)	(898,000)
Prepayment penalty on extinguishment of debt	(427,000)	–
Dividends paid to common shareholders	(28,597,000)	(12,750,000)
Contributions from affiliated noncontrolling interests	648,000	
Distributions to affiliated noncontrolling interests (Note 4)	(4,518,000)	(796,000)
Net cash provided by (used in) financing activities	(81,973,000)	12,839,000

The accompanying notes are an integral part of these statements.

**BIXBY LAND COMPANY AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	\$ (41,309,000)	\$ 30,116,000
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>85,050,000</u>	<u>54,934,000</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u>\$ 43,741,000</u>	<u>\$ 85,050,000</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	<u>\$ 17,532,000</u>	<u>\$ 17,040,000</u>
Income taxes	<u>\$ 142,000</u>	<u>\$ 211,000</u>
<b>NON-CASH DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:</b>		
Accounts payable related to capital improvements and leasing commissions	<u>\$ 2,623,000</u>	<u>\$ 161,000</u>
Application of escrow deposit for acquisition of property	<u>\$ 690,000</u>	<u>\$ 2,000,000</u>
Application of escrow deposit for financing	<u>\$ 2,993,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies**

##### ***Organization and Operations***

Bixby Land Company is incorporated under the laws of the State of California. It owns and manages industrial and office properties in the western, southwestern and southeastern United States.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Bixby Land Company and its wholly owned or majority owned qualified real estate investment trust (“REIT”) subsidiaries and its wholly owned taxable REIT subsidiary (“TRS”), collectively referred to herein as the (“Company”).

The Company consolidates all entities that are wholly owned and those in which the Company owns less than 100% but exercises control, as well as any variable interest entities (“VIEs”) in which the Company is the primary beneficiary. In determining whether the Company represents the primary beneficiary of a VIE or otherwise controls an entity, the Company evaluates, among other factors, how the entity is structured and substantive terms of the arrangement to identify which enterprise has the power to direct the activities that most significantly impact the entity’s economic performance.

All material intercompany transactions and balances have been eliminated in consolidation. Square footage amounts and occupancy rates presented herein are unaudited.

##### ***Noncontrolling Interests***

Noncontrolling interests represent interests held directly by members of executive management in certain joint venture entities which are consolidated by the Company (Note 4). Income or losses allocated to the noncontrolling interests are attributed based on the management interests’ share in income or loss recognized from the underlying joint ventures, including the effect of applicable profit-sharing provisions (Note 12).

##### ***Shareholder Equity***

During 2022, the Company’s Articles of Incorporation were amended and restated to authorize the Company’s issuance of a single class of stock designated as “Common Stock” and remove the previous authorization to issue shares of preferred stock. The Company was previously authorized to issue 182,145 shares of Common Stock, without par value, all of which are issued and outstanding. On April 15, 2024, the Articles of Incorporation for Bixby Land Company were amended to increase the number of shares authorized for issue via a four-for-one (4:1) stock split

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### ***Shareholder Equity (continued)***

to 728,250. All share and per share information presented within the financial statements has been retroactively adjusted to reflect the stock split.

##### ***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and other information included in the related notes to the consolidated financial statements. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

##### ***Cash and Cash Equivalents***

For the purpose of the consolidated statements of cash flows, the Company generally considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

At December 31, 2024 and 2023, and throughout each year, the Company maintained cash balances in banks in excess of federally-insured limits. The Company has not experienced any losses related to uninsured cash balances.

##### ***Concentration of Credit Risk***

There are owners and developers of real estate that compete with the Company in its trade areas, which results in competition for tenants to occupy space. The existence of competition could have a material impact on the Company’s ability to lease space and on the level of rent that can be achieved.

A majority of the Company’s properties are located in California. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory, and social factors affecting the communities in which the tenants operate.

For the years ended December 31, 2024 and 2023, no tenant accounted for 10% or more of the annual base rents of the Company.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### ***Land, Buildings and Improvements***

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated and amortized using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years.

The Company is required to make subjective assessments as to the useful life of its properties for purposes of determining the amount of depreciation based on various factors, including industry standards, historical experience and the condition of the asset at the time of acquisition. These assessments have a direct impact on the Company's net income.

##### ***Deferred Costs***

Deferred financing costs and lease commissions are deferred and amortized using the straight-line method over the related loan periods and lease terms, respectively. For deferred financing costs, the straight-line method approximates the effective interest rate method. Deferred financing costs related to notes payable are presented as a direct deduction in the related liability.

As of December 31, 2024 and 2023, the Company has presented \$1,260,000 and \$1,802,000, respectively, as a direct reduction from mortgage notes payable on the accompanying consolidated balance sheets, representing unamortized deferred financing costs. Unamortized deferred financing costs related to the Company's secured line of credit total \$193,000 and \$326,000, respectively, as of December 31, 2024 and 2023 and are included in deferred financing costs, deposits and other assets, net on the accompanying consolidated balance sheets. Amortization of lease commissions totaled \$2,695,000 and \$2,431,000 for the years ended December 31, 2024 and 2023 and is included in depreciation and amortization expense on the accompanying statements of operations.

##### ***Real Estate Acquisitions***

The Company allocates the purchase price of an acquired real estate property to the tangible and intangible assets acquired and liabilities assumed based on management's estimates of their respective fair values as of the acquisition date. Acquisition related costs are expensed as incurred when the acquired real estate represents a business. Acquisition costs related to asset acquisitions are capitalized and allocated to the components of the assets acquired. Properties acquired by the Company are generally expected to be accounted for as asset acquisitions.

The determination of the fair value of acquired tangible and intangible assets requires significant estimates by management and considers many factors, including the Company's expectations about the underlying property and the general market conditions in which the property operates.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### ***Real Estate Acquisitions (continued)***

The judgment and subjectivity inherent in such assumptions can have a significant impact on the magnitude of the intangible assets that the Company records.

The value of leases in place as of the acquisition date is estimated based on the value associated with lost rental revenue during the assumed lease-up period, which is recorded as in-place lease intangible assets, and the value associated with the costs avoided in originating leases comparable to the acquired in-place leases, which is recorded as lease commission assets. The value of in-place leases and lease commissions recorded in conjunction with the acquisition is amortized over the remaining term of the respective lease and is included in depreciation and amortization expense.

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimates of market lease rates for the comparable in-place leases, based upon consideration of various factors including historical experience, recently executed transactions and specific property characteristics, measured over a period equal to the remaining non-cancelable term of the lease. The value of above-market lease values is amortized as a reduction of rental revenue over the remaining terms of the respective leases. The value of below-market lease values is amortized as an increase to rental revenue over the remaining term of the respective leases, including below-market renewal option periods.

##### ***Real Estate Assets Held for Sale***

The Company considers real estate assets to be held for sale when the decision to sell an asset has been approved by the appropriate level of management and Board of Directors, is actively being marketed or is under contract to sell, and there are no known material contingencies relating to the sale, such that the sale is probable within one year. When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs of such assets. If, in management's opinion, the net sales price of the assets that have been identified as held for sale is less than the net book value of the assets, the asset is written down to its estimated fair value less costs to sell.

There were no real estate assets held for sale as of December 31, 2024 and 2023.

##### ***Gains (Losses) on Sale of Real Estate***

Gains (losses) on dispositions of real estate properties are recorded when the criteria in FASB Accounting Standards Codification ("ASC") Topic 610, *Other Income – Gains and Losses from*

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### *Gains (Losses) on Sale of Real Estate (continued)*

*the Derecognition of Nonfinancial Assets*, are satisfied, generally at the time the property is sold and control is transferred.

##### *Impairment of Real Estate Assets*

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The long-lived assets are considered impaired if management's estimate of the aggregate future cash flows to be generated over the expected hold period for the asset, including a net sale proceeds assumption (i.e., undiscounted and without interest charges), is less than the carrying value. These estimates take into consideration factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors.

The determination of undiscounted cash flows requires significant estimates by management, including the expected course of action at the balance sheet date. Subsequent changes in estimated undiscounted cash flows arising from changes in anticipated action to be taken with respect to the property could impact the determination of whether impairment exists and whether the effects could materially impact the Company's net income. To the extent impairment is identified, the impairment charge will be measured as the excess of the carrying amount of the property over the estimated fair value of the property.

During the years ended December 31, 2024 and 2023, the Company recognized no impairment charges related to its owned real estate assets.

##### *Fair Value Disclosures*

The Company estimates fair value, when applicable, using available market information and valuation methodologies believed to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or model-

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### *Fair Value Disclosures (continued)*

derived valuations in which significant inputs and significant value drivers are observable in active markets.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's interest rate swap agreement entered into during 2023 is measured at fair value each period and is classified as Level 2 fair value measurement.

##### *Investments in Unconsolidated Real Estate Ventures*

Investments in unconsolidated real estate ventures are accounted for using the equity method of accounting, as the Company has significant influence, but not control, over these entities, and they do not represent variable interest entities for which the Company is a primary beneficiary. Under the equity method of accounting, the Company recognizes its proportionate share of earnings or losses from the unconsolidated real estate ventures, including any impairment charges recognized at the joint venture level. In applying the equity method accounting to its investment in Bixby Industrial Fund 1, L.P. ("Fund 1"), the Company retains industry-specific guidance applied by Fund 1 as an investment company, including recognizing its share of unrealized gains and losses on real estate investments held by Fund 1 (Note 4). The Company evaluates its investments in unconsolidated real estate ventures to determine whether other-than-temporary impairment charges are warranted.

Included in the Company's consolidated statements of operations for the years ended December 31, 2024 and 2023 are revenues and reimbursements related to investment advisory, management, leasing and development services provided by the Company to the unconsolidated real estate ventures.

The Company uses the cumulative earnings approach to determine the classification of distributions received from unconsolidated real estate ventures within its statement of cash flows. Under the cumulative earnings approach, distributions up to the amount of cumulative equity in earnings recognized are treated as returns on investment within operating cash flows and those in excess of that amount are treated as returns of investment within investing cash flows.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### *Allowance for Doubtful Receivables*

The Company makes estimates of the collectability of its receivables related to tenant rents including base rents, expense reimbursements and other revenue or income. The Company specifically analyzes accounts receivable, historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful receivables. As of December 31, 2024 and 2023, there was no allowance for doubtful receivables.

##### *Rental Revenue Recognition*

The Company derives the majority of its revenues from tenant rents and other tenant-related activities. Tenant rents include base rents, and expense reimbursements (such as common area maintenance, real estate taxes and utilities). The Company records base rents on a straight-line basis over the term of the lease. The difference between base rent and straight-line rent is recorded as a non-cash increase or decrease to rental revenues with a corresponding adjustment to deferred straight-line rents on the consolidated balance sheets. The straight-line rent adjustment increased revenue by \$3,942,000 and increased revenue by \$539,000 for the years ended December 31, 2024 and 2023, respectively. Rental revenues also include amortization of above- and below-market in-place leases.

Tenant expense reimbursements are recorded as rental revenue on the consolidated statement of operations in the period in which the related expense is incurred. Effective beginning January 1, 2022 with the adoption of ASC 842, for lease arrangements where tenants are responsible for and directly pay real estate taxes and insurance related to a real estate property, no related expense or recovery is reflected in the consolidated financial statements.

Included in rental revenue are common area maintenance and other expense reimbursements totaling \$16,888,000 and \$15,561,000 for the years ended December 31, 2024 and 2023, respectively.

Lease termination fee income is recognized in the period when a termination agreement is signed and the Company is no longer obligated to provide space to the tenant, and is included as a component of rental revenue on the consolidated statements of operations. During the years ended December 31, 2024 and 2023, the Company recognized \$170,000 and \$29,000, respectively of income related to early tenant lease terminations.

##### *Derivative Instruments*

The Company may enter into derivative instruments, at its own election or as required by a lender, for purposes of hedging its exposure to cash flow variability caused by changing interest rates on

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### ***Derivative Instruments (continued)***

its variable rate indebtedness. The Company records these derivative instruments at fair value on the accompanying consolidated balance sheets. Realized gains or losses on actual settlements under the derivative instruments are recorded as incurred in the consolidated statement of operations. Changes in fair value of derivative instruments that are not designated as a hedge for accounting purposes are also recorded as gains or losses in the consolidated statement of operations.

##### ***Share-Based Compensation***

Stock appreciation rights (“SARs”) issued under the Company’s Long Term Growth Compensation Plan (Note 9) are accounted for as liability awards as they are intended to be settled in cash. Liabilities related to the awards are remeasured each period based on the overall appreciation in the gross value of equity for the Company’s common stock until the awards are settled, and are included in accounts payable and accrued liabilities on the consolidated balance sheets. Compensation expense associated with the change in value of the awards is recognized using the straight-line method over the respective vesting period from time of issuance and is included in general and administrative expenses on the consolidated statements of operations.

##### ***Income Taxes***

On January 1, 2005, the Company elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). Under the Code, REITs are generally not required to pay federal income taxes if they distribute 100% of their taxable income and meet certain income, asset and shareholder tests. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even as a REIT, the Company may be subject to certain state and local taxes on income and property, and to federal income and excise taxes on undistributed taxable income. In order to comply with the REIT requirements of the Code, the Company is generally required to make distributions (other than capital gain distributions) to its shareholders at least equal to (i) the sum of (a) 90% of ‘REIT taxable income’ computed without regard to the dividends paid deduction and net capital gains and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (ii) certain excess noncash income.

The Company distributes a percentage of its cash flow to ensure it will meet the distribution requirements of the Code, while allowing the Company to maximize the cash retained to meet other cash needs, as capital improvements and other investment activities. The payment of distributions is dependent upon the Company’s financial condition, operating results and REIT

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### ***Income Taxes (continued)***

distribution requirements and may be adjusted at the discretion of the Board of Directors during the year.

The Company has elected taxable REIT subsidiary (“TRS”) status for certain of its consolidated subsidiaries. This allows the Company to provide services and hold certain investments that would otherwise be considered impermissible for REITs. The Company recognizes income tax expense for the federal and state income taxes incurred by TRS and interest and penalties associated with any unrecognized tax benefit liabilities. For the years ended December 31, 2024 and 2023, the Company incurred income tax expense of \$94,000 and \$211,000, respectively.

The Company evaluates tax positions taken in the financial statements under the interpretation for accounting for uncertainty in income taxes. As a result of this evaluation, the Company may recognize a tax benefit from an uncertain tax position only if it is ‘more-likely-than-not’ that the tax position will be sustained on examination by taxing authorities.

When necessary, deferred income taxes are recognized in certain taxable entities. Deferred income tax is generally a function of the period’s temporary differences (items that are treated differently for tax purposes than for financial reporting purposes). A valuation allowance for deferred income tax assets is provided if all or some portion of the deferred income tax asset may not be realized. Any increase or decrease in the valuation allowance is generally included in deferred income tax expense.

The federal and state statutes of limitations for the Company’s tax returns are generally three and four years, respectively. As such, tax returns that remain subject to examination would be from 2020 and thereafter for federal purposes and 2019 and thereafter for state purposes. Consequently, the taxability of distributions is subject to change.

##### ***Income per Common Share***

Income per common share for the years ended December 31, 2024 and 2023 were computed based upon the weighted-average number of common shares outstanding during the year. The Company had no stock options, contingent shares, or other dilutive securities outstanding during 2024 or 2023.

##### ***Insurance Proceeds for Property Damages***

The Company generally maintains insurance policies that provide coverage for property damage and business interruption related to its real estate properties. Losses due to physical damages are recognized in the period in which they occur, and the amount of expected proceeds to be received

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### *Insurance Proceeds for Property Damages (continued)*

from insurance policies, up to the amount of recognized losses, is recorded in the period in which insurance proceeds are determined to be probable of recovery. Losses, which are reduced by the related insurance proceeds determined to be probable of recovery, are included in other income (expense) on the accompanying consolidated statements of operations. Anticipated insurance proceeds in excess of recognized losses represent a gain and are recognized when the insurance claim has been resolved. Amounts incurred to repair the damaged property are recorded to building and improvements as incurred.

Anticipated proceeds for lost rental revenue under business interruption coverage are recognized when the insurance claim has been resolved.

#### 2. Land, Building and Improvements

Land, building and improvements, net at December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 604,199,000	\$ 544,953,000
Land and site improvements	173,191,000	165,064,000
Furniture, fixtures and equipment, net	683,000	666,000
Construction in process	811,000	33,000
Total land, building and improvements	<u>778,884,000</u>	<u>710,716,000</u>
Less accumulated depreciation	<u>(134,651,000)</u>	<u>(127,931,000)</u>
Land, building and improvements, net	<u>\$ 644,233,000</u>	<u>\$ 582,785,000</u>

Land, buildings and improvements are encumbered by certain loans at December 31, 2024 and 2023 (Note 6).

#### 3. Acquisitions and Dispositions

##### *Acquisitions*

During 2024, the Company acquired an industrial building located in W. Sacramento, California, an industrial building located in Jacksonville, Florida, and an industrial building located in Houston, Texas for a total aggregate purchase price of \$126,107,000. These acquisitions were accounted for as asset acquisitions and acquisition costs totaling \$278,000 related to the properties acquired were capitalized to the basis of the properties.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 3. Acquisitions and Dispositions (continued)

##### *Acquisitions (continued)*

The allocation of the purchase price for these properties, including acquisition costs, was recorded as follows:

Land	\$	15,695,000
Site improvements		4,303,000
Buildings		102,147,000
Tenant improvements		2,403,000
Leasing commissions		3,646,000
Above-market leases		54,000
Below-market leases		(10,038,000)
In-place leases		8,175,000
		<u>\$ 126,385,000</u>

During 2023, the Company acquired an industrial building located in Lancaster, Texas for a total purchase price of \$31,600,000. This acquisition was accounted for as an asset acquisition and acquisition costs totaling \$206,000 related to the property acquired were capitalized to the basis of the property.

The allocation of the purchase price for the property, including acquisition costs, was recorded as follows:

Land	\$	3,224,000
Site improvements		1,112,000
Building		<u>27,470,000</u>
		<u>\$ 31,806,000</u>

##### *Dispositions*

In April 2024, the Company sold five industrial buildings located in, Mira Loma, California, Phoenix, Arizona, and Fairburn, Georgia to an affiliated joint venture, Bixby 1F REIT, LLC, in which the Company retained a 7.5% interest, for a total aggregate sales price of \$128,250,000 with an aggregate carrying value plus selling costs of approximately \$50,576,000 resulting in a net gain of \$77,674,000.

In June 2023, the Company sold an industrial building located in Anaheim, California for a total sales price of \$28,150,000 with an aggregate carrying value plus selling costs of approximately \$17,061,000 resulting in a net gain on sale of \$11,089,000.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 4. Investments in Unconsolidated Real Estate Ventures

Investments in unconsolidated real estate ventures at December 31, 2024 and 2023, and the Company's effective ownership percentages therein, consisted of the following:

	Ownership Percentage	2024	2023
LIPT Bixby JV, LLC	5.00%	\$ 1,924,000	\$ 1,742,000
BLC Industrial Venture I, LLC	10.00%	–	4,420,000
Gateway 29 Partners, LLC	75.00%	6,419,000	6,956,000
Bixby Industrial Fund 1, L.P.	7.50% <sup>1</sup>	8,031,000	–
		16,374,000	13,118,000
Noncontrolling interests (related parties)		(1,199,000)	–
Total effective interest attributable to shareholders		\$ 15,175,000	\$ 13,118,000

<sup>1</sup> Ownership percentage reflects consolidated ownership percentage of the Company's interest in the underlying joint venture, inclusive of interests held directly by members of executive management presented as noncontrolling interests

The changes in investments in unconsolidated real estate ventures during 2024 and 2023 were as follows:

	2024	2023
Balance — beginning of year	\$ 13,118,000	\$ 8,742,000
Investments in real estate ventures	7,478,000	7,752,000
Equity in earnings (losses) of real estate ventures	20,959,000	3,084,000
Distributions	(25,181,000)	(6,280,000)
Balance — end of year	\$ 16,374,000	\$ 13,118,000

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 4. Investments in Unconsolidated Real Estate Ventures (continued)

Summary unaudited financial information of the unconsolidated joint ventures as of and for the periods ending December 31, 2024 and 2023 is as follows. These amounts exclude balances related to SW 1<sup>st</sup> as the Company's investment in this real estate venture was written down to \$0 as of December 31, 2023.

	2024	2023
Assets, primarily real estate properties <sup>1</sup>	\$ 360,284,000	\$ 241,110,000
Liabilities, primarily mortgage debt	\$ 206,438,000	\$ 155,994,000
Owners' capital	153,846,000	85,116,000
	<u>\$ 360,284,000</u>	<u>\$ 241,110,000</u>
Revenues	\$ 15,789,000	\$ 20,633,000
Expenses	(20,073,000)	(22,864,000)
Realized and unrealized gains on real estate <sup>1</sup>	96,158,000	18,450,000
Net income	<u>\$ 91,874,000</u>	<u>\$ 16,219,000</u>

<sup>1</sup> Assets includes \$211,788,000 of real estate investments held by Bixby Industrial Fund 1, L.P. and measured at fair value (cost basis of \$200,423,000) at December 31, 2024. Realized and unrealized gains during the year ended December 31, 2024 includes \$11,365,000 of unrealized gains on these investments recognized during the year ended December 31, 2024.

#### *BLC Industrial Venture I, LLC*

In January 2018, the Company formed BLC Industrial Venture I, LLC ("Venture I") with an institutional investor, in which the Company effectively owns a 10% interest. Venture I owned and operated two industrial properties located in Phoenix, Arizona, two industrial properties located in San Bernardino, California, and an industrial property located in Sacramento, California. Certain members of management share in the profits of the Company derived from Venture I above a specific threshold.

In February 2022, Venture I sold a property previously owned and operated by Venture I located in Atlanta, Georgia for \$30,415,000.

In January 2024, Venture I sold its two properties located in Phoenix, Arizona for a total of \$61,400,000.

In April 2024, Venture I sold its property located in Sacramento, California for a total of \$37,000,000 and its property located in San Bernadino, CA for a total of \$74,050,000.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **4. Investments in Unconsolidated Real Estate Ventures (continued)**

##### ***BLC Industrial Venture I, LLC (continued)***

In July 2024, Venture I sold its property located in San Bernadino, CA for a total of \$24,000,000. As a result of the sales the Company recognized income totaling \$21,241,000 as a result of the sale, of which \$4,483,000 was allocated to noncontrolling interests representing the members of management's share in the profits (Note 12).

##### ***Savannah 95 Logistics Venture, LLC***

In September 2020, the Company formed Savannah 95 Logistics Venture, LLC ("Savannah Venture") with an institutional investor, in which the Company effectively owns a 10% interest. Savannah Venture owns and operates an 564,489 square foot industrial property located in Savannah, Georgia. In July 2021, Savannah Venture executed a lease for the remaining vacancy at the property totaling 100,214 square feet. Certain members of management share in the profits of the Company derived from Savannah Venture above a specific threshold.

In March 2023, Savannah Venture sold the property for \$62,500,000 and the Company recognized income totaling \$3,966,000 as a result of the sale, of which \$796,000 was allocated to noncontrolling interests representing the members of management's share in the profits (Note 12). Additionally, there was \$35,000 of earnings allocated and distributed to the noncontrolling interest in 2024.

##### ***LIPT Bixby JV, LLC***

In July 2021, the Company formed LIPT Bixby JV, LLC ("LIPT Venture") with an institutional investor, in which the Company effectively owns a 5% interest. LIPT Venture owns and operates five industrial properties located in Poway, San Marcos, Carlsbad, San Diego and Fremont, California. Collectively, the properties total 434,963 square feet and were 52% leased at December 31, 2024. Certain members of management share in the profits of the Company derived from LIPT Venture above a specific threshold.

In January 2025, LIPT Venture sold its property located in San Marcos, California for a total of \$16,200,000.

##### ***Gateway 29 Partners, LLC***

In March 2023, the Company formed Gateway 29 Partners, LLC ("Summit Venture") with a commercial real estate developer, in which the Company effectively owns a 75% interest. Summit Venture owns and operates an industrial property located in Spartanburg, South Carolina. The property totals 247,730 square feet and was 33% leased at December 31, 2024. Certain

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 4. Investments in Unconsolidated Real Estate Ventures (continued)

##### *Gateway 29 Partners, LLC (continued)*

members of management share in the profits of the Company derived from Summit Venture above a specific threshold.

##### *Bixby Industrial Fund 1, LP*

In February 2024, the Company formed Bixby Industrial Fund 1, LP (“Fund 1”) with institutional investors, in which the Company effectively owns a 7.5% interest. Members of the Company’s executive management team own a 0.75% interest in the venture and a promote interest in cash flows above specified thresholds, which is consolidated by the Company and reflected as a noncontrolling interest in the consolidated financial statements. Fund 1 owns and operates two industrial properties located in Mira Loma, California, two in Phoenix, Arizona, one in Fairburn, Georgia, and one in Mesquite, Texas. Collectively, the properties total 1,369,829 square feet and were 91.4% leased at December 31, 2024.

Fund 1 reports its financial statements as an investment company as defined in ASC 946, *Investment Companies*, which results in different accounting policies than those applied by the Company. As an investment company, Fund 1 measures its real estate investments at fair value each reporting period, with unrealized gains and losses on real estate investments recorded through earnings. Leasing commissions, building and tenant improvements are considered a component of the cost basis of the investment and are not depreciated or amortized. Rental income is recorded based on amounts billed under related lease agreements, and amounts are not recognized on a straight-line basis. Equity method earnings (losses) recognized by the Company relative to its investment in Fund 1 retains the effect of this accounting presentation on earnings and equity, including recognition of its share of unrealized gains and losses on real estate investments held by Fund 1, as well as the effect of carried interest provisions of the underlying joint venture agreement in determining the distributions that would be made in a hypothetical liquidation of the entity as of the reporting date.

#### 5. Intangible Assets and Liabilities

Intangibles, net of accumulated amortization, included in other assets at December 31, 2024 and 2023 included the following:

	<u>2024</u>	<u>2023</u>
In-places leases, net	\$ 12,280,000	\$ 6,874,000
Above-market leases, net	126,000	241,000
Property tax abatement, net	<u>384,000</u>	<u>757,000</u>
Total intangible assets, net	<u>\$ 12,790,000</u>	<u>\$ 7,872,000</u>

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 5. Intangible Assets and Liabilities (continued)

Net below-market lease liabilities as of December 31, 2024 and 2023 totaled \$11,503,000 and \$4,028,000, respectively. Amortization of the value of in-place leases and property tax abatement during the years ended December 31, 2024 and 2023 resulted in amortization expense of approximately \$2,864,000 and \$2,256,000, respectively, while the amortization of above-market and below-market leases resulted in a net increase in rental revenue of \$2,394,000 and \$328,000 in 2024 and 2023, respectively.

The Company's intangible assets and liabilities as of December 31, 2024 are expected to be amortized as follows:

Year Ending December 31,	In-Place Lease Intangibles	Above- Market Leases	Property Tax Abatement	Below- Market Leases
2025	\$ 2,622,000	\$ 69,000	\$ 87,000	\$ (2,555,000)
2026	2,200,000	36,000	87,000	(1,669,000)
2027	2,105,000	13,000	87,000	(1,664,000)
2028	1,988,000	8,000	87,000	(1,661,000)
2029	1,558,000	—	36,000	(1,627,000)
Thereafter	1,807,000	—	—	(2,327,000)
	<u>\$ 12,280,000</u>	<u>\$ 126,000</u>	<u>\$ 384,000</u>	<u>\$ (11,503,000)</u>

As of December 31, 2024, the remaining lease intangible assets and liabilities are expected to be amortized over a weighted average remaining life of 3.6 years.

#### 6. Notes Payable, net

The composition of the Company's notes payable secured by deeds of trust at December 31, 2024 and 2023 is as follows:

Loan Terms	Interest Rate	Maturity Dates	2024	2023
Monthly interest only through 7/2025; SOFR + 1.60%	6.13% <sup>1</sup>	7/25	\$ 40,000,000	\$ 40,000,000
Monthly interest only through 9/2020; Fixed 4.32%	4.32%	9/25	—	39,174,000
Monthly interest only through 12/2020; Fixed 4.03%	4.03%	12/27	91,640,000	97,361,000
Monthly interest only through 7/2024; Fixed 4.61%	4.61%	7/30	162,933,000	164,000,000
Monthly interest only through 6/2026; SOFR + 2.50%	7.03% <sup>1</sup>	6/26	30,000,000	30,000,000
Total principal balance outstanding			324,573,000	370,535,000
Less: Deferred financing costs, net			(1,260,000)	(1,802,000)
Notes payable, net			<u>\$ 323,313,000</u>	<u>\$ 368,733,000</u>

<sup>1</sup> The applicable SOFR rate is the one-month SOFR which was 4.53% and 5.34% at December 31, 2024 and December 31, 2023, respectively.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 6. Notes Payable, net (continued)

In April 2024, a prepayment penalty of \$37,000 was incurred in connection with a partial repayment of the note due to mature in December 2027. The repayment totaled \$3,389,000 and allowed for the release of certain collateral securing the note.

In March 2024, a prepayment penalty of \$390,000 was incurred in connection with a full repayment of the note due to mature in September 2025. The repayment totaled \$38,979,000 and allowed for the release of certain collateral securing the note.

In June 2023, the Company entered into a new \$30,000,000 loan secured by four properties. The loan bears interest at a rate of one-month SOFR plus 2.50% and matures in June 2026. The Company has guaranteed the loan in an amount equal to 25% of the outstanding balance and unpaid interest.

In July 2021, the Company entered into a new \$40,000,000 loan secured by three properties. The loan bears interest at a rate of one-month SOFR plus 1.60% and matures in July 2025. The Company has guaranteed the loan in an amount equal to 25% of the outstanding balance and unpaid interest.

For the notes maturing in December 2027 and July 2030, monthly principal payments are based on a 30-year amortization schedule and are required after the interest only periods expire. As of December 31, 2024, the annual principal payments on the above obligations, including the payoff amounts due at maturity are as follows:

2025	\$ 44,704,000
2026	4,913,000
2027	90,336,000
2028	33,037,000
2029	3,179,000
Thereafter	<u>148,404,000</u>
	<u>\$ 324,573,000</u>

Certain notes secured by deeds of trust contains certain financial covenants regarding net worth and liquidity. The Company was in compliance with these financial covenants as of December 31, 2024 and 2023.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 7. Secured Line of Credit

In June 2023, the Company obtained a new \$30,000,000 secured line of credit which bears interest at a rate of one-month SOFR (4.53% at December 31, 2024) plus 2.5% and matures in June 2026. The line of credit is secured by four properties.

At December 31, 2024 there were no borrowings outstanding under the secured line of credit.

The secured line of credit contains certain financial covenants regarding tangible net worth, liquidity and debt service coverage. The Company was in compliance with these financial covenants as of December 31, 2024.

#### 8. Derivative Instruments

In June 2023, the Company entered into an interest rate swap agreement designed to limit its exposure to variable interest rates on certain of its indebtedness. Information related to the interest rate swap as of December 31, 2024 is as follows:

Notional Amount	Effective Date	Termination Date	Variable Index	Fixed Rate (Swap Rate)	Fair Value Asset / (Liability)
\$ 30,000,000	June 12, 2023	June 12, 2026	1-month SOFR	4.116%	(\$46,000)

The fair value of the interest rate swap at December 31, 2024 is presented separately on the consolidated balance sheet.

The interest rate swap is not designated as a hedging instrument for accounting purposes and, accordingly, unrealized gains and losses resulting from the fair value measurement of the swap during the period are recorded directly in the consolidated statement of operations. Realized and unrealized gains (losses) on the interest rate swap recognized in the consolidated statement of operations are summarized as follows:

	Year Ended December 31, 2024	2023
Realized gains (losses) on swap settlements	\$ 320,000	\$ 197,000
Unrealized gains (losses) on fair value of swap	136,000	(182,000)
Net gains (losses) on interest rate swap	<u>\$ 456,000</u>	<u>\$ 15,000</u>

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **9. Long Term Growth Compensation Plan**

In March 2012, the Company adopted a Long Term Growth Compensation Plan (the “Plan”) which authorizes the Company’s Board of Directors to issue stock appreciation rights (“SARs”) on an annual basis to the senior officers of the Company. Awards issued under the Plan are calculated based upon overall appreciation in the gross value of equity for the Company’s common stock and vest over five-year periods from time of issuance.

Prior to 2017, 50% of each SAR award was subject to the achievement of certain cash flow targets. In January 2017, the Plan was amended to remove these performance conditions in determining the number of awards earned, such that all awards are earned along a time-based vesting schedule over a five-year period. As a result, 100% of the awards issued and outstanding under the Plan are calculated based upon overall appreciation in the gross value of equity for the Company’s common stock.

In January 2021, the Plan was amended to exclude the value of the Company’s common stock attributable to the Company’s oil royalties associated with its Long Beach, California mineral rights royalty lease, from the calculation of all awards granted under the Plan in 2021 and thereafter.

As of December 31, 2024, there were 16,800 SARs outstanding under the Plan, comprised of 3,500 SARs that were granted in each of the years 2020, 2021, 2022, 2023 and 2024 (inclusive of 700 SARs approved but not yet allocated). In January 2024, the Company made cash payments totaling \$7,849,000 related to the SARs granted in 2019 which had fully vested as of December 31, 2023. In January 2025, the Company made cash payments totaling \$6,497,000 related to the SARs granted in 2020 which had fully vested as of December 31, 2024.

The Company recognized non-cash compensation charges of \$1,967,000 and \$2,337,000 for the awards granted under the Plan for the years ended December 31, 2024 and 2023, respectively, which are included in general and administrative expenses on the accompanying consolidated statements of operations. Liabilities related to awards issued under the Plan as of December 31, 2024 and 2023 totaled \$12,580,000 and \$18,461,000, respectively, and are included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets.

#### **10. Description of Leasing Activities**

Rental revenue is derived primarily from leases of real property owned by the Company. All leases are classified as operating leases for consolidated financial statement purposes. Substantially all lease arrangements provide for periodic adjustments in minimum lease payments based upon fixed rate increases or upon price level changes.

## BIXBY LAND COMPANY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023

#### 10. Description of Leasing Activities (continued)

##### *Company as Lessor*

The following is a schedule by years of minimum future rental receipts under noncancelable operating leases as of December 31, 2024:

<u>December 31,</u>	
2025	\$ 59,718,000
2026	60,224,000
2027	50,301,000
2028	42,031,000
2029	31,290,000
Thereafter	<u>54,176,000</u>
	<u>\$ 297,740,000</u>

In August 2017, the Company entered into a mineral rights royalty lease on approximately 1,016 acres in Long Beach, California where the Company had previously owned land but had retained the mineral rights. The Company is entitled to royalty payments from oil production extracted from the site. The oil company commenced drilling during 2019 and the Company began receiving monthly royalty payments. During the years ended December 31, 2024 and 2023, the Company earned and recognized oil royalty income of \$1,122,000 and \$1,097,000, respectively.

##### *Company as Lessee*

In January 2017, the Company entered into a new seven-year operating lease for its corporate offices at its 1501 Quail Street property. The lease expired in February 2024. In February 2024, the Company entered into a new five-year operating lease, expiring in February 2029.

Financial results for the year ended December 31, 2024 and 2023 exclude rental revenue and expense in its consolidated financial statements related to its leased space in buildings owned by the Company, including the Company's corporate offices located in the 1501 Quail Street property.

#### 11. 401(k) Plan

The Company has a profit sharing plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). The 401(k) Plan covers all eligible employees and allows deferrals of their annual compensation, subject to the annual deferral limits established by the Internal Revenue Service ("IRS"). The Company may match a certain percentage of compensation, as determined annually by the Board of Directors. In addition, the Company matches 100% of the employee contribution up to 6% of the employee salary, as defined in the 401(k) Plan.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **11. 401(k) Plan (continued)**

For the years ended December 31, 2024 and 2023, the Company contributed approximately \$287,000 and \$227,000, respectively, to the 401(k) Plan.

#### **12. Related Party Transactions**

Noncontrolling interests presented in the Company's consolidated financial statements represent interests held directly by members of executive management in consolidated entities associated with the Company's joint ventures. Income or losses allocated to these related party noncontrolling interests are attributed based on the management interests' share in income or loss recognized from the underlying joint ventures, including the effect of applicable profit-sharing provisions. Income of \$5,069,000 and \$796,000 was allocated to these noncontrolling interests during 2024 and 2023, respectively, as further described in Note 4. There was \$4,518,000 and \$796,000 of cash distributions to these noncontrolling interests during 2024 and 2023, respectively.

The Company provides various investment advisory, management and leasing services to SW 1<sup>st</sup> Avenue Associates, LLC, BLC Industrial Venture I, LLC, Savannah 95 Logistics Venture, LLC, LIPT Bixby JV, LLC, and Bixby Industrial Fund 1, LP (collectively, "Joint Ventures"). In exchange for these services, the Company receives fee income and reimbursements for various operating expenses from the Joint Ventures. For the years ended December 31, 2024 and 2023, the Company earned and recognized fee income and reimbursements of \$1,225,000 and \$874,000, respectively, which are included in investment advisory, management and leasing services income in the accompanying consolidated statements of operations.

As of December 31, 2024 and 2023, the Joint Ventures owed the Company \$17,000 and \$235,000, respectively, relating to such fees and reimbursements which are included in rent and other receivables in the accompanying consolidated balance sheets.

As of December 31, 2024, included in Rents and other receivables on the consolidated balance sheet included \$648,000 of notes receivable made to members of management related to their investment interests in Bixby Industrial Fund 1, L.P.

#### **13. Commitments and Contingencies**

##### ***Litigation***

The Company has claims and litigation arising in the normal course of business. Management believes the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## **BIXBY LAND COMPANY AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements (continued) December 31, 2024 and 2023**

#### **13. Commitments and Contingencies (continued)**

##### *Environmental*

Although there can be no assurance, the Company is not aware of any material environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company's properties, the activities of tenants and other environmental conditions of which the Company is unaware with respect to its properties could result in future environmental liabilities.

#### **14. Subsequent Events**

In January 2025, the Company entered into a new \$142,180,000 loan secured by nine properties. The loan bears interest at a rate of 5.93%, requires interest only payments, and matures in February 2035. \$40,148,000 of the proceeds from the new loan were used to pay off the \$40,000,000 of debt maturing in July 2025, including outstanding interest and fees.

In March 2025 the Company acquired an industrial building located in Lebanon, TN for a gross purchase price of \$30,750,000.

Subsequent events have been evaluated through March 25, 2025, the date the consolidated financial statements were available to be issued.