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Tejon Ranch (TRC-NYSE)

More Shareholders Unwilling to Wait on the Sidelines For Improvements at TRC

Shareholders remain underwhelmed by TRC management, board and their track record on creating value for shareholders

Tejon Ranch Company (NYSE:TRC) will hold its annual shareholder meeting on May 13, 2025. In what calls to mind the frustration shareholders evidenced in connection with last year's meeting, this year a shareholder group consisting of Special Opportunities Fund and its investment advisor Bulldog Investors has sent a separate proxy statement to shareholders putting forth three nominees for board seats. Last year Nitor Capital Management announced its intention to withhold support for several TRC nominees.

We believe the significance of multiple shareholders stepping up this year and last and proposing alternatives to what TRC management / board have proposed reflects that TRC shares have underperformed relative to the value of the company's sizable land holdings and that the company has failed to deliver shareholder value, while compensating management at levels that multiple parties view as excessive in light of performance. Briefly recapping, Bulldog / Special Opportunities Fund sent its proxy statement soliciting shareholders vote its slate of nominees as board directors:

- Andrew Dakos, a director of the Special Opportunities Fund, principal of Bulldog Investors
- Phillip Goldstein, a managing Partner of Bulldog Investors, Chairman of Special Opportunities Fund
- Aaron T. Morris, a partner of Morris Kandinov LLP, formerly attorney at Skadden, Arps, Slate, Meagher & Flom LLP

Company's board nominees have been directors for years without demonstrable creation of shareholder value

TRC board's nominees are all current directors and, with four exceptions have been directors for years. The Board's nominees are *Steven A. Betts* (director since 2014), Gregory S. Bielli (since 2013), Denise Gammon (2024), Anthony L. Leggio (2012), *Norman J. Metcalfe* (1998), Jeffrey J. McCall (1998), Eric H. Speron (2024), Daniel R. Tisch (2012), *Michael H. Winer* (2001), and Kenneth G. Yee (2024). Italics indicate nominees for whom Nitor Capital Management intended to withhold support last year.

Mr. Metcalfe has served on the board since 1998, during which time the shares have essentially round tripped from the $16-$20 range to $45-$50 range and back again. Michael H. Winer and Steven Betts have served on the board since 2001 and 2014, respectively.

Dense Gammon, Jeffrey McCall, Eric Speron, and Kenneth Yee were elected by the board on November 4, 2024, to fill vacancies created when the board increased its size to 11 directors from eight previously and when former director Geoffrey L. Stack retired.

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Compensation structure not properly aligned with company / stock performance

Three additional Bulldog proposals are 1) to ratify the appointment of Deloitte & Touche as TRC's independent accounting firm for 2025; 2) to abstain from ratifying compensation and 3) to give owners of a combined 10% stake power to call a special stockholder meeting. As a reminder, last year Nitor Capital issued a letter to shareholders announcing its intention to vote against approval of executive officer compensation. Nitor Capital's view was that the management team and board in place at the time had not created lasting shareholder value. Nitor's 2024 letter noted that TRC's existing management compensation structure should be overhauled, as it "Has Enriched Management While Stockholders Suffer." Nitor also indicated that Glass Lewis, a well-known independent proxy advisory firm, had recommended that TRC shareholders vote against TRC's say-on-pay proposal.

Nitor Capital wanted a compensation structure that provides "incentives for management that align with a company's strategic goals and promote long-term value creation" and added that what it termed "misaligned incentives" have led to outsized and unearned (according to Nitor Capital) compensation for top executives, while the company has not created sustainable improving value for shareholders. For example, Nitor Capital pointed to former CEO Gregory Bielli, who retired at year-end 2024, having received more than $30 million in total compensation over the years and noted that the "current compensation scheme clearly is not working for stockholders."

Last year, a significant percentage of shareholders aligned with Nitor Capital in withholding support for the board's nominations. We believe the way the vote played out illustrates that shareholders increasingly want to see changes at the company. Last year 32% - or roughly a third – of votes were withheld for reappointing Steven Betts, chairman of TRC's Compensation Committee, up from only 6% withheld in 2023. Votes for other nominees followed a similar pattern, as did vote for the company's pay structure.

	Results 2024 Shareholder Vote			Results 2023 Shareholder Vote		
Nominees Highlighted by Nitor	For	Withhold	% Withheld*	For	Abstain	% Abstaining*
Steven A. Betts	14,723,050	6,964,134	32%	18,399,738	1,227,638	6%
Norman J. Metcalfe	15,510,139	6,177,045	28%	18,058,659	1,568,717	8%
Geoffrey L. Stack	15,388,498	6,298,686	29%	18,461,571	1,165,805	6%
Michael H. Winer	14,478,582	7,208,602	33%	14,089,327	5,538,049	28%
Other Nominees						
Gregory S. Bielli	18,050,230	3,636,954	17%	18,408,352	1,219,024	6%
Anthony L. Leggio	18,787,812	2,899,372	13%	18,593,895	1,033,481	5%
Rhea Frawn Morgan	18,880,531	2,806,653	13%	18,591,542	1,035,834	5%
Daniel R. Tisch	17,981,081	3,706,103	17%	18,317,010	1,310,366	7%

Source: Company reports * % calculated based on votes withheld or abstaining / (vote for + votes withheld or abstaining)

Shareholders want transparency, better communication / engagement and right to call special meeting

Bulldog's proposal to give owners of a combined 10% stake power to call a special stockholder meeting is endorsed by PFS Trust, which also notes that "Over 70% of companies in the S&P 500 (PFS cites FactSet as the source of this data as of November 26, 2024) have adopted special meeting rights for stockholders and we believe adopting such rights will improve the corporate governance of TRC and benefit all stockholders."

PFS adds that TRC, which does not hold quarterly conference calls or provide stockholders the opportunity to ask questions at annual meetings, needs to improve both transparency and shareholder communication and engagement.

Shareholders sent a clear message in 2024 that change is needed

With the percentage of votes in 2024 either abstaining or voting against approving named executive officer compensation increasing from 9% in 2023 to a sizable 39%, shareholders sent a clear message to the company, in our view, and we noted in December 2024 that we were "optimistic that [TRC's] recent actions signal improved commitment to delivering shareholder value. However, Bulldog, PFS and potentially others are not willing to wait on the sidelines in the hopes that TRC and the board will improve their management of the company, particularly in light of the compensation they continue to pay themselves. They want to see demonstrable changes.

TRC urges shareholders to vote against the proposal to enable 10% to call a special meeting, citing that

> "The 10% threshold to trigger a special meeting, as requested by this proposal, is too low as a matter of corporate practices, and does not serve to balance the interest of all shareholders… The Board believes that a shareholder special meeting right should be at a substantially higher threshold than the 10% threshold requested by this proposal…"

Given the actions of shareholders in recent quarters and the lackluster performance of TRC shares, we would like to see shareholders holding an aggregate sizable percentage empowered to call a special meeting.

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