

**WINDROCK**  
— LAND CO. —  
ESTABLISHED 1872

**ANNUAL REPORT**  
**2024**

**WINDROCK LAND COMPANY**

Water's Edge  
614 Mabry Hood Road, Suite 301  
Knoxville, TN 37932

**2024**

**DIRECTORS**

THOMAS M. AYRES ..... Knoxville, Tennessee  
ANDREW J. BUSH..... Sevierville, Tennessee  
MILES E. CULLOM, JR. .... Knoxville, Tennessee  
LAWRENCE M. GILPIN..... Bodega Bay, California  
LEWIS S. HOWARD, JR. .... Knoxville, Tennessee  
WILLIAM S. LYON III ..... Lenoir City, Tennessee  
GEORGE A. ROZANSKI ..... Columbia, Maryland

**OFFICERS**

LEWIS S. HOWARD, JR.  
Chief Executive Officer/President ..... Knoxville, Tennessee  
  
CLAUDIA P. DEPEW,  
Chief Operating Officer ..... Maryville, Tennessee  
  
KRISTEE N. ATCHLEY,  
Chief Financial Officer/Corporate Secretary ..... Seymour, Tennessee

# WINDROCK

— LAND CO. —

ESTABLISHED 1872

February 21, 2025

To Our Shareholders:

We are pleased to report revenues and earnings for 2024 as follows:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:	\$12,258,923	\$13,907,450	(\$1,648,527)
Earnings:	\$3,659,510	\$ 4,691,068	(\$1,031,558)
EPS:	\$39.22	\$ 50.28	(\$11.06)
EPS*:	\$28.74	\$ 45.79	(\$17.05)

\*(Excluding Net Unrealized Gain/Loss on Marketable Securities and related tax effects).

Regular dividends of \$12.00 per share and special dividends of \$5.00 per share were declared and paid to shareholders.

Construction of a new 5,000 square foot campground office and check-in facility was completed in June 2024 and is fully operational.

The 31 new luxury RV sites and five (5) new tiny homes located in the campground area were also completed and are fully operational.

Major improvements were made to Trail P1, the main road on Windrock mountain which serves the Bike Park, multiple trail access points, wind turbine site and communication towers.

Land use permits increased 3% while campground related revenues increased 15% and General Store revenues were flat.

Carbon Offset Credit revenue totaled \$912,545 in 2024, a significant decrease from the \$2,982,678 earned in 2023. The decrease in revenue is the result of an option for the purchase of credits not being exercised. Those credits remain with the Company and are being marketed and sold through an intermediary. Overall, the voluntary carbon credit market is experiencing a period of volatility and uncertainty largely attributed to concerns over the credibility and effectiveness of carbon credits. Recent efforts by market participants to introduce standards to enhance the quality and integrity of carbon credits may result in some market stabilization in 2025.

February 21, 2025

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Revenue from timber operations decreased 21% to \$780,164 last year compared to \$986,020 in 2023. 3,359,168 million board feet of timber was harvested in 2024 vs. 3,668,141 million board feet harvested in 2023. While prices remain fairly stable, industry labor shortages and tepid demand continue to negatively impact timber harvesting.

Oil and gas revenue increased 26% to \$402,801 due to slightly higher pricing and production.

The Company's investment portfolio gained 27.65% in 2024 vs the S&P 500 gain of 25.02%. The financial condition of the Company remains strong and management continues to actively seek new revenue streams.

At a meeting held February 20, 2025, the Board of Directors declared a quarterly dividend of \$3.00 per share and a special dividend of \$10.00 per share.

The annual shareholders' meeting will be held May 15, 2025 at the offices of the Company. A further notice of such meeting and proxy will be mailed to all shareholders.

Audited consolidated financial statements of the Company for years ended December 31, 2024 and 2023 are available at [www.otcm Markets.com](http://www.otcm Markets.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Howard, Jr.", with a stylized flourish extending to the right.

Lewis S. Howard, Jr.  
CEO/President

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**Knoxville, Tennessee**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2024 and 2023**



**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Windrock Land Company and Subsidiary  
Knoxville, Tennessee

### Opinion

We have audited the consolidated financial statements of Windrock Land Company and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 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 from 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 within one year after the date that the financial statements are issued or 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 from 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.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
February 13, 2025



**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

	As of December 31,	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$	444,472	\$ 410,759
Accounts Receivable		1,188,260	1,029,763
Refundable Income Taxes		69,982	588,458
Prepaid Expenses		356,664	300,267
Inventories		<u>362,235</u>	<u>298,418</u>
<b>Total Current Assets</b>		<u>2,421,613</u>	<u>2,627,665</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land and Land Improvements		10,497,706	9,407,950
Building and Building Improvements		12,127,160	9,542,600
Other Equipment		<u>3,201,470</u>	<u>2,983,023</u>
		25,826,336	21,933,573
Less: Accumulated Depreciation		<u>6,970,503</u>	<u>6,339,269</u>
		18,855,833	15,594,304
Construction In Progress		<u>7,151</u>	<u>850,856</u>
<b>Property, Plant and Equipment, Net</b>		<u>18,862,984</u>	<u>16,445,160</u>
<b>OTHER NONCURRENT ASSETS</b>			
Marketable Equity Securities		6,957,425	5,733,896
Other Assets		<u>2,190</u>	<u>4,040</u>
<b>Total Other Noncurrent Assets</b>		<u>6,959,615</u>	<u>5,737,936</u>
<b>Total Noncurrent Assets</b>		<u>25,822,599</u>	<u>22,183,096</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<u><u>28,244,212</u></u>	<u><u>\$ 24,810,761</u></u>

The accompanying notes are an integral part of these financial statements.

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS (Continued)**

	As of December 31,	2024	2023
		<u>2024</u>	<u>2023</u>
	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$	461,984	\$ 499,694
Lines of Credit		1,176,847	151,000
Property Taxes Payable		361,763	368,298
Other Accrued Expenses		131,354	99,973
Deferred Revenue		1,014,303	906,802
Current Portion of Long-Term Debt		<u>34,292</u>	<u>32,950</u>
<b>Total Current Liabilities</b>		<u>3,180,543</u>	<u>2,058,717</u>
<b>LONG-TERM LIABILITIES</b>			
Long-Term Debt, Less Current Portion		448,411	482,348
Deferred Income Taxes		<u>1,721,155</u>	<u>1,449,037</u>
<b>Total Liabilities</b>		<u>5,350,109</u>	<u>3,990,102</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common Stock - No Par Value, \$10 Stated Value; 500,000 Shares Authorized, 93,298 Shares Issued and Outstanding at December 31, 2024 and 2023		932,980	932,980
Capital in Excess of Stated Value		1,378,809	1,378,809
Retained Earnings		<u>20,582,314</u>	<u>18,508,870</u>
<b>Total Stockholders' Equity</b>		<u>22,894,103</u>	<u>20,820,659</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<u><u>28,244,212</u></u>	<u><u>\$ 24,810,761</u></u>

The accompanying notes are an integral part of these financial statements.

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME**

	For the Years Ended December 31,	<u>2024</u>	<u>2023</u>
<b>REVENUES</b>			
Rental Income	\$	3,518,488	\$ 3,058,632
Recreational Income		3,540,091	3,448,489
General Store Income		2,519,501	2,571,862
Carbon Offset Credits		912,545	2,982,678
Gas and Oil Royalties		402,801	318,841
Timber Sales		780,164	986,020
Tower Site Lease Income		203,841	203,074
Wind Power Site Lease Income		88,178	86,027
Miscellaneous Revenue		<u>293,314</u>	<u>251,827</u>
<b>Total Revenues</b>		12,258,923	13,907,450
<b>OPERATING EXPENSES</b>		<u>9,024,851</u>	<u>8,920,435</u>
<b>OPERATING INCOME</b>		<u>3,234,072</u>	<u>4,987,015</u>
<b>OTHER INCOME (EXPENSE)</b>			
Interest and Dividend Income		197,870	143,854
Interest Expense		(75,745)	(38,575)
Net Realized Gain on Marketable Equity Securities		0	351,540
Net Unrealized Gain on Marketable Equity Securities		<u>1,223,519</u>	<u>533,744</u>
<b>Total Other Income (Expense)</b>		<u>1,345,644</u>	<u>990,563</u>
<b>NET INCOME BEFORE INCOME TAXES</b>		<u>4,579,716</u>	<u>5,977,578</u>
<b>PROVISION FOR INCOME TAX EXPENSE</b>			
Current		648,088	814,123
Deferred		<u>272,118</u>	<u>472,387</u>
<b>Net Provision for Income Tax</b>		<u>920,206</u>	<u>1,286,510</u>
<b>NET INCOME</b>	\$	<u><u>3,659,510</u></u>	\$ <u><u>4,691,068</u></u>
<b>NET INCOME PER SHARE</b>	\$	<u><u>39.22</u></u>	\$ <u><u>50.28</u></u>

The accompanying notes are an integral part of these financial statements.

**WINDROCK LAND COMPANY  
SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

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

	Common Stock	Capital in Excess of Stated Value	Retained Earning	Total
<b>BALANCES, January 1, 2023</b>	\$ 933,280	\$ 1,379,252	\$ 14,951,725	\$ 17,264,257
Purchase and Retirement of Common Stock	(300)	(443)	(14,257)	(15,000)
Net Income	0	0	4,691,068	4,691,068
Dividends Paid	0	0	(1,119,666)	(1,119,666)
<b>BALANCES, December 31, 2023</b>	932,980	1,378,809	18,508,870	20,820,659
Net Income	0	0	3,659,510	3,659,510
Dividends Paid	0	0	(1,586,066)	(1,586,066)
<b>BALANCES, December 31, 2024</b>	<u>\$ 932,980</u>	<u>\$ 1,378,809</u>	<u>\$ 20,582,314</u>	<u>\$ 22,894,103</u>

The accompanying notes are an integral part of these financial statements.

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31,	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 3,659,510	\$ 4,691,068
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,041,464	769,960
Net Realized (Gain) Loss on Sales of Marketable Equity Securities	0	(351,540)
Net Unrealized (Gain) Loss on Sales of Marketable Equity Securities	(1,223,519)	(533,744)
(Gain) Loss on Sales of Equipment	(36,930)	(14,460)
Deferred Income Tax Expense	272,118	472,387
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(158,497)	(874,977)
Refundable Income Taxes	518,476	(481,980)
Prepaid Expenses	(56,397)	(42,613)
Inventories	(63,817)	56,991
Accounts Payable and Other Accrued Expenses	(4,479)	367,708
Property Taxes Payable	(6,535)	25,027
Deferred Revenue	107,501	212,444
<b>Net Cash Provided by Operating Activities</b>	<u>4,048,895</u>	<u>4,296,271</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Property, Plant and Equipment	210,360	87,350
Purchases of Property, Plant and Equipment	(3,632,718)	(3,483,771)
Proceeds from Sales of Marketable Equity Securities	0	752,023
Purchases of Marketable Equity Securities	(45,010)	(779,300)
<b>Net Cash Used in Investing Activities</b>	<u>(3,467,368)</u>	<u>(3,423,698)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (Repayment) Borrowings on Lines of Credit	1,070,847	151,000
Principal Payments on Long-Term Debt	(32,595)	(31,362)
Purchase and Retirement of Common Stock	0	(15,000)
Dividends Paid	(1,586,066)	(1,119,666)
<b>Net Cash Used in Financing Activities</b>	<u>(547,814)</u>	<u>(1,015,028)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	33,713	(142,455)
<b>CASH AT BEGINNING OF YEAR</b>	<u>410,759</u>	<u>553,214</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 444,472</u></u>	<u><u>\$ 410,759</u></u>
<b>Supplemental Cash Flow Disclosures</b>		
Income Taxes Paid	\$ 94,000	\$ 1,367,000
Interest Paid	\$ 75,745	\$ 38,575

The accompanying notes are an integral part of these financial statements.

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2024 and 2023**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Windrock Land Company and its wholly owned subsidiary Windrock Park, LLC (collectively referred to as the "Company"). All intercompany transactions and balances have been eliminated.

**Description of Business** - The Company owns over 73,000 acres in East Tennessee and generates revenue from its land holdings. The Company has agreements with customers for gas and oil production and has agreements with other customers for timber harvesting. The Company generates income from these customers based on a percentage of revenues derived from the customer's operations. The Company also has operating lease agreements with certain customers for communication tower and wind power sites. Additionally, the Company provides outdoor recreational opportunities and the operation of rental cabins, a campground, a general store, and over 300 miles of off-road trails for ATVs and other off-road vehicles.

**Revenue Recognition** - The Company recognizes revenue when it satisfies performance obligations as evidenced by the transfer of products or services to customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those products or services.

In accordance with contract terms, revenue for timber sales, gas, and oil royalties is recognized in the period product is harvested or produced by the customer. The Company has recreational fee revenue for ATVs and other off-road vehicles through land usage permits that are issued for periods of up to one year. The revenue generated from these fees are recognized on a straight-line basis over the period of the land usage permit. Rental income is primarily derived from the short-term rental of cabins, campsites, and ATV vehicles and is recognized over the rental period. The Company owns a general store and has revenues from the sale of goods, which are recognized at the time of the sale. Revenue from the operating lease agreements for communication tower and wind power sites is recognized based on the lease payments received, which approximates the lease payments recognized on a straight-line basis over the term of the lease.

**Accounts Receivable** - Accounts receivable are generated from the production of gas and oil by customers or contractors who harvest timber on the Company's property. Accounts are determined to be past due based on contractual terms. It is the Company's policy not to require collateral on accounts receivable. Credit losses, when realized, have historically not been insignificant.

**Deferred Revenue** - The Company routinely receives advance gas and oil royalty payments. The Company also receives upfront payments for ATV and other off-road vehicles for land usage permits for use up to one year. The amounts for which payments received have not yet been recognized in revenue have been recorded as deferred revenue in the accompanying consolidated balance sheets.

**Inventories** - Inventories consist primarily of clothing, food products and supplies in the Company's retail general store and are valued at the lower of cost or net realizable value using the average cost method.

**Property, Plant and Equipment** - Property, plant and equipment is recorded at cost. Maintenance and repairs are expensed as incurred, and replacements and improvements are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

**Retirement Plan** - The Company sponsors a 401(k) retirement plan covering all eligible employees. This plan allows the Company to make a discretionary matching and profit sharing contribution. The Company made contributions of \$100,811 in 2024 and \$84,681 in 2023 to the plan.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Advertising Costs** - Advertising costs are expensed as incurred and totaled \$354,398 in 2024 and \$316,948 in 2023.

**Income Per Share** - Income per share has been computed on the average number of shares outstanding during the year of 93,298 and 93,328 for 2024 and 2023, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Adoption of New Accounting Standards** - In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU was issued to improve disclosures about an entity's reportable segments and provide additional information about a segment's expenses. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company has adopted ASU 2023-07. See Note 9.

**Subsequent Events** - Management has evaluated subsequent events through February 13, 2025, which is the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.

## NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash accounts with certain U.S. financial institutions. The Company may periodically have cash deposited in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The cash accounts are insured by FDIC up to \$250,000 per legal ownership.

## NOTE 3 - MARKETABLE EQUITY SECURITIES AND FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1      Quoted prices in active markets for identical assets.
- Level 2      Significant other observable inputs.
- Level 3      Significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of the Company's marketable equity securities are valued based on quoted market prices of identical assets on active exchanges (Level 1). The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

### NOTE 3 - MARKETABLE EQUITY SECURITIES AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the fair value of the Company's marketable equity securities within the fair value hierarchy (all Level 1), as of December 31:

	2024	2023
Common Stocks	\$ 1,515,569	\$ 1,094,570
Mutual Funds	1,536,611	1,394,959
Exchange-Traded Funds	3,905,245	3,244,367
Total Marketable Equity Securities at Fair Value	<u>\$ 6,957,425</u>	<u>\$ 5,733,896</u>

### NOTE 4 - OPERATING LEASES

The Company has operating lease agreements with customers for tower and wind power sites, which expire at various dates through 2028. These leases generally contain renewal options.

Future minimum lease payments to be received under noncancelable operating leases (with initial or remaining terms over one year) as of December 31, 2024, are as follows:

2025	\$ 177,625
2026	130,647
2027	133,227
2028	<u>129,540</u>
Total	<u>\$ 571,039</u>

### NOTE 5 - CARBON OFFSETS

The Company's forested land consists of acreage capable of producing carbon offsets that may be monetized under a voluntary program administered by the American Carbon Registry ("ACR").

On July 21, 2021, the Company entered into a Carbon Offset Transaction Terms Agreement ("Carbon Agreement") providing for the sale by the Company of carbon offset credits. Under the terms of the Carbon Agreement, the buyer is obligated to purchase a specified volume of carbon offset credits at an agreed-upon price, delivered over a period of five reporting cycles. During these five reporting cycles, the buyer may also purchase additional excess carbon offset credits within 180 days of the credit issuance by the ACR. After expiration of the first five reporting cycles, the buyer may purchase optional credits, also within 180 days of the credit issuance, for a period of three additional reporting cycles. If, after 180 days of issuance, the buyer does not purchase optional credits, the Company may sell them to a third party on an open trade market.

Revenues recognized from transactions under the Carbon Agreement were \$912,545 and \$2,982,678 as of December 31, 2024 and 2023, respectively, and the associated expenses were \$314,587 and \$720,223, respectively.

### NOTE 6 - LINE OF CREDIT AGREEMENTS AND LONG-TERM DEBT

The Company has a demand line of credit with a financial institution for borrowings up to a maximum of \$6,500,000. The credit available to the Company under the line of credit agreement may fluctuate and is determined by the financial institution based on the value of eligible collateral pledged to support the line of credit. The Company had borrowings under this line of credit of \$1,176,847 and \$151,000, outstanding as of December 31, 2024 and 2023, respectively. Borrowings under this line of credit bear interest at the SOFR rate plus 1.25% (5.88% at December 31, 2024), with this rate subject to change at the financial institution's discretion. The line of credit is secured by the Company's marketable equity securities.



## NOTE 6 - LINE OF CREDIT AGREEMENTS AND LONG-TERM DEBT (Continued)

The Company previously borrowed \$728,000 from a financial institution under a note payable agreement to finance the purchase of a building. The Company had \$482,703 and \$515,298 outstanding on this note payable as of December 31, 2024 and 2023, respectively. This note bears interest at an annual rate of 4% and is due in monthly payments through April 2026. This note is secured by the building purchased, which has a carrying amount of \$726,423 as of December 31, 2024.

Future aggregate maturities of long-term debt are as follows at December 31, 2024:

2025	\$	34,292
2026		<u>448,411</u>
Total	\$	<u><u>482,703</u></u>

## NOTE 7 - INCOME TAXES

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 net deferred income tax liabilities are as follows at December 31:

	2024	2023
Tax Over Book Depreciation	\$ 704,440	\$ 731,590
Unrealized Gain on Securities Available for Sale	931,918	674,979
Other	<u>84,797</u>	<u>42,468</u>
Net Deferred Tax Liabilities	<u><u>\$ 1,721,155</u></u>	<u><u>\$ 1,449,037</u></u>

Significant components of the provision for income tax expense (benefit) are as follows for the years ended December 31:

	2024	2023
Current:		
Federal	\$ 484,351	\$ 607,896
State	<u>163,737</u>	<u>206,227</u>
Total Current	<u>648,088</u>	<u>814,123</u>
Deferred:		
Federal	432,393	385,420
State	<u>(160,275)</u>	<u>86,967</u>
Total Deferred	<u>272,118</u>	<u>472,387</u>
Net Provision for Income Tax Expense	<u><u>\$ 920,206</u></u>	<u><u>\$ 1,286,510</u></u>

The provision for income taxes recognized differs from the amount that would result from applying federal statutory rates to income before income taxes due primarily to permanent differences and state income taxes.

## NOTE 8 - RELATED PARTY TRANSACTIONS

The Company incurred expenses of \$60,000 and \$60,000 for the years ended December 31, 2024 and 2023, respectively, for legal services provided by a law firm, a member of which serves as a director of the Company. The Company paid directors' fees of \$216,713 and \$191,177 for the years ended December 31, 2024 and 2023, respectively.

## NOTE 9 - SEGMENT REPORTING

The Company generates revenue from its land holdings and has two reportable segments that align with its distinct lines of operations. The Companies segments consist of Natural Resources and Recreation. Senior management serves as the chief operating decision makers and monitors segment net operating income and segment net income to evaluate the performance of Natural Resources and Recreation. In addition to these measures, senior management's reporting package includes several expense categories that are considered key strategic drivers of the Company's long-term profitability and allocation of resources. The accounting policies of each segment are the same as those described in the Note 1. The Company does not have intra-entity sales or transfers.

The Company's segment information is as follows for December 31, 2024:

	Natural Resources	Recreation	Total
<b>Segment Operating Revenues</b>			
Revenues From External Customers			
Land Use Permits	\$ 0	\$ 3,221,269	\$ 3,221,269
Campground	0	3,249,366	3,249,366
General Store	0	2,611,464	2,611,464
Oil and Gas	402,801	0	402,801
Timber	780,164	0	780,164
Carbon	912,545	0	912,545
Rent	323,577	0	323,577
Tower	203,841	0	203,841
Other	251,713	302,183	553,896
<b>Total Segment Operating Revenues</b>	<b>2,874,641</b>	<b>9,384,282</b>	<b>12,258,923</b>
<b>Segment Operating Expenses</b>			
Salaries and Wages	607,519	2,231,566	2,839,085
Employee Benefits	27,174	73,637	100,811
Insurance	358,787	364,203	722,990
Taxes	449,815	229,401	679,216
Utilities	44,029	291,702	335,731
Professional	354,742	36,363	391,105
Repairs and Maintenance	37,481	152,510	189,991
Supplies	34,467	261,928	296,395
Credit Card Fees	0	219,041	219,041
Depreciation and Amortization	110,662	930,802	1,041,464
Carbon	314,587	0	314,587
General Store	0	1,157,197	1,157,197
Advertising	0	354,398	354,398
Other	41,517	341,323	382,840
<b>Total Segment Operating Expenses</b>	<b>2,380,780</b>	<b>6,644,071</b>	<b>9,024,851</b>
<b>Segment Net Operating Income</b>	<b>493,861</b>	<b>2,740,211</b>	<b>3,234,072</b>
<b>Other Segment Income (Expense)</b>			
Investment Gains	1,223,519	0	1,223,519
Interest and Dividend Income	197,870	0	197,870
Interest Expense	(75,745)	0	(75,745)
<b>Total Other Segment Income (Expense)</b>	<b>1,345,644</b>	<b>0</b>	<b>1,345,644</b>
<b>Segment Net Income</b>	<b>\$ 1,839,505</b>	<b>\$ 2,740,211</b>	<b>4,579,716</b>
<b>Provision for Income Taxes</b>			<b>(920,206)</b>
<b>Consolidated Net Income</b>			<b>\$ 3,659,510</b>

**NOTE 9 - SEGMENT REPORTING (Continued)**

The Company's segment information is as follows for December 31, 2023:

	Natural Resources	Recreation	Total
<b>Segment Operating Revenues</b>			
Revenues From External Customers			
Land Use Permits	\$ 0	\$ 3,121,551	\$ 3,121,551
Campground	0	2,815,106	2,815,106
General Store	0	2,621,104	2,621,104
Oil and Gas	318,841	0	318,841
Timber	986,020	0	986,020
Carbon	2,982,678	0	2,982,678
Rent	303,389	0	303,389
Tower	203,074	0	203,074
Other	211,167	344,520	555,687
<b>Total Segment Operating Revenues</b>	<b>5,005,169</b>	<b>8,902,281</b>	<b>13,907,450</b>
<b>Segment Operating Expenses</b>			
Salaries and Wages	615,950	2,136,332	2,752,282
Employee Benefits	23,946	60,735	84,681
Insurance	349,392	304,934	654,326
Taxes	439,814	225,243	665,057
Utilities	43,471	241,257	284,728
Professional	318,221	32,490	350,711
Repairs and Maintenance	32,534	186,763	219,297
Supplies	35,707	229,127	264,834
Credit Card Fees	0	211,086	211,086
Depreciation and Amortization	85,070	684,891	769,961
Carbon	720,223	0	720,223
General Store	0	1,174,157	1,174,157
Advertising	0	316,948	316,948
Other	35,194	416,950	452,144
<b>Total Segment Operating Expenses</b>	<b>2,699,522</b>	<b>6,220,913</b>	<b>8,920,435</b>
<b>Segment Net Operating Income</b>	<b>2,305,647</b>	<b>2,681,368</b>	<b>4,987,015</b>
<b>Other Segment Income (Expense)</b>			
Investment Gains	885,284	0	885,284
Interest and Dividend Income	143,854	0	143,854
Interest Expense	(38,575)	0	(38,575)
<b>Total Other Segment Income (Expense)</b>	<b>990,563</b>	<b>0</b>	<b>990,563</b>
<b>Segment Net Income</b>	<b>\$ 3,296,210</b>	<b>\$ 2,681,368</b>	<b>5,977,578</b>
<b>Provision for Income Taxes</b>			<b>(1,286,510)</b>
<b>Consolidated Net Income</b>			<b>\$ 4,691,068</b>