

TOWER PROPERTIES COMPANY AND SUBSIDIARIES
DISCLOSURE FOR QUARTER ENDED JUNE 30, 2025

LIQUIDITY AND CAPITAL RESOURCES

The principal source of funds generated internally is income from operations. The principal sources of external funds are long-term debt and a \$13,500,000 loan (“Line of Credit”) with Commerce Bank, a Missouri banking Corporation. The Line of Credit was renewed on June 1, 2025 and at June 30, 2025 is collateralized by 270,564 shares of Commerce Bancshares, Inc. common stock. At June 30, 2025, the Company had no outstanding borrowings on the Line of Credit. The Company had approximately \$13,500,000 available under the Line of Credit at June 30, 2025. This Line of Credit has been extended at market rates and terms and management believes the Company could obtain similar financing arrangements if the Company’s relationship with Commerce Bank did not exist. The Company does not utilize off-balance sheet financing.

Management believes that the Company’s current combination of liquidity, capital resources and borrowing capabilities will be adequate for its existing operations during fiscal 2025. The Company did not experience liquidity problems during the six months ended June 30, 2025. The Company does not anticipate any deficiencies in meeting its near term liquidity needs. The availability under the Line of Credit along with cash provided from operations is expected to give the Company adequate resources to meet the Company’s cash requirements for 2025. If necessary, the Company believes it has adequate resources to collateralize additional financing. The Company had cash and cash equivalents of \$24,408,000 at June 30, 2025. The Company’s revenues are primarily based on lease contracts which are not deemed to be materially at risk.

CONTRACTUAL CASH OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

At June 30, 2025 there have been no material changes to the Company’s contractual cash obligations and other commercial commitments from amounts disclosed in the financial statements for the year ended December 31, 2024, except for: a) through June 30, 2025 \$317,000 of tenant improvements have been completed, and therefore, the tenant improvement commitments remaining from December 31, 2024 are \$2,629,000 and b) during the six months ended June 30, 2025 the Company signed six leases that created tenant improvement commitments that have a remaining balance of \$748,000 at June 30, 2025. These tenant improvement commitments are additional commercial commitments at June 30, 2025.

From time to time, the Company is subject to various items related to the normal course of business, including loss of tenants, legal proceedings, and environmental related actions. In the opinion of management, none of these items are expected to result in a material adverse effect on the financial statements of the Company.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to various market risks, including equity investment prices and interest rates.

The Company has a significant amount of fixed rate debt. Some of the debt has prepayment penalties based upon the difference between the debt's fixed rate and the Treasury note rate that most closely corresponds with the remaining life of the mortgage. The Company believes that the fair value risk for that debt is best quantified by considering prepayment penalties associated with the debt. The estimated aggregate prepayment penalty on such debt was approximately \$119,000 at June 30, 2025.

The Company owned 270,564 shares of common stock of Commerce Bancshares, Inc. with a fair value of \$16,821,000 as of June 30, 2025. This investment is not hedged and is exposed to the risk of changing market prices. The Company marks these equity securities to market on the balance sheet at the end of each period and the change in market price of the securities has an after tax effect recorded in net income. Management estimates that its investments will generally be consistent with trends and movements of the overall stock market excluding any unusual situations. An immediate 10% change in the market price of the securities would have a \$1,245,000 effect on net income.

**PRINCIPAL REAL ESTATE OWNED BY
TOWER PROPERTIES COMPANY AND SUBSIDIARIES**

Barkley Place Building	6-story office building, 10561 Barkley Overland Park, Kansas
7911 Forsyth Office Building	6-story office building Clayton, Missouri
Woodlands Plaza I Office Building	3-story office building, 11720 Borman Drive St. Louis, Missouri
7905 Forsyth Office Building	2-story office building Clayton, Missouri
6601 College Boulevard Office Building	6-story office building Overland Park, Kansas
10955 Lowell (Building 20) Office Building	10-story office building Overland Park, Kansas
7400 Place Office Building	2-story office building, 7400 State Line Prairie Village, Kansas
Corinth Office Building	2-story office building, 8340 Mission Road Prairie Village, Kansas
Corinth Executive Office Building	2-story office building, 4121 W. 83 rd Street Prairie Village, Kansas
4200 Somerset Office Building	2-story office building Prairie Village, Kansas
Indian Creek Campus I Office Building	4-story office building, 10740 Nall Overland Park, Kansas
Creekview Corporate Center Office Building	4-story office building, 12900 Foster Overland Park, Kansas
Deer Creek Woods Office Bldg #3	3-story office building, 7301 W. 133 rd Street Overland Park, Kansas
Timberlands Office Building	3-story office building, 4000 W. 114 th Street Leawood, Kansas
New Mark Subdivision	28 acres of residential and commercial land in the area of 100 th and North Oak Streets Kansas City, Missouri
Hillsborough Apartment Complex	329 apartments located at 5401 Fox Ridge Drive Mission, Kansas
Peppertree Apartment Complex	262 apartments located at 6800 Antioch Merriam, Kansas
Harper Square Apartment Complex	51 apartments located at 2201 Harper St. Lawrence, Kansas

Hutton Farms Apartment Complex	299 apartments located at 3401 Hutton Drive Lawrence, Kansas
Tuckaway Apartment Complex	148 apartments located at 2600 W. 6 th St Lawrence, Kansas
Briarwood Apartment Complex	49 apartments located at 4241 Briarwood Drive Lawrence, Kansas
Tuckaway at Shawnee Apartment Complex	263 apartments located at 7110 & 7150 Lackman Road Shawnee, Kansas

All of the real estate is located in Douglas and Johnson Counties in Kansas, and Clay and St. Louis Counties in Missouri.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2025 and December 31, 2024

ASSETS	(UNAUDITED)	
	2025	2024
Investment in Commercial Properties:		
Rental Property, Net	\$ 137,880,142	\$ 138,684,561
Tenant Leasehold Improvements, Net	11,018,853	11,932,053
Equipment and Furniture, Net	3,700,613	3,780,357
Construction in Progress	536,014	969,486
Commercial Properties, Net	153,135,622	155,366,457
Real Estate Held for Sale	125,445	125,445
Cash and Cash Equivalents (Related Party)	24,408,197	21,605,305
Investment Securities At Fair Value (Related Party)	16,820,964	16,858,843
Receivables	2,111,811	2,034,338
Income Taxes Receivable	334,612	149,732
Prepaid Expenses and Other Assets	951,671	1,960,484
Intangible Asset-Acquired In-Place Leases Value	93,333	113,333
Intangible Asset-Acquired Above-Market Leases	49,000	65,000
Total Assets	\$ 198,030,655	\$ 198,278,937
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Liabilities:		
Mortgage Notes	\$ 110,972,901	\$ 113,463,543
Unamortized Debt Issuance Costs	(242,089)	(288,158)
Accounts Payable and Other Liabilities	8,951,202	9,051,216
Deferred Income Taxes	15,039,045	15,048,894
Total Liabilities	134,721,059	137,275,495
Commitments and Contingencies		
Stockholders' Investment:		
Preferred Stock, No Par Value		
Authorized 2,000 Shares, None Issued	--	--
Common Stock, Par Value \$1.00		
Authorized 33,334 Shares, Issued		
6,181 Shares	6,181	6,181
Paid-In Capital	23,834,066	23,834,066
Retained Earnings	56,216,485	53,910,331
	80,056,732	77,750,578
Less Treasury Stock, At Cost (1,650 and 1,650 shares in 2025 and 2024, respectively)	(16,747,136)	(16,747,136)
Total Stockholders' Investment	63,309,596	61,003,442
Total Liabilities and Stockholders' Investment	\$ 198,030,655	\$ 198,278,937

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND JUNE 30, 2024
(UNAUDITED)

	2025	2024
REVENUES		
Non-Related Party Revenues:		
Rent	\$ 21,139,416	\$ 21,156,686
Management and Service Fee	7,441	7,991
Gain on Sale of Assets	--	1,040,651
Interest and Other Income	755,449	680,335
Total Non-Related Party Revenues	21,902,306	22,885,663
Related Party Revenues:		
Management and Service Fee	--	395,525
Interest and Other Income	148,810	139,147
Unrealized Holding Gains (Losses) on Marketable Equity Securities	(37,879)	610,701
Total Related Party Revenues	110,931	1,145,373
Total Revenues	22,013,237	24,031,036
EXPENSES		
Operating Expenses	3,428,360	3,312,860
Maintenance and Repairs	3,322,231	2,636,215
Depreciation and Amortization	5,646,071	6,061,964
Taxes Other than Income	3,014,040	2,979,042
General, Administrative and Other (Including Related Party)	1,534,472	1,607,665
Total Expenses before Interest and Income Taxes	16,945,174	16,597,746
INTEREST EXPENSE	1,951,638	2,072,696
Income Before Provision for Income Taxes	3,116,425	5,360,594
PROVISION FOR INCOME TAXES	810,271	1,393,754
NET INCOME	\$ 2,306,154	\$ 3,966,840

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND YEARS ENDED DECEMBER 31, 2024 AND 2023
(UNAUDITED)

	Common Stock			Paid-In Capital	Retained Earnings	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance, December 31, 2022	6,181	\$ 6,181	\$ 23,834,066	\$ 63,735,191	1,650	\$ (16,747,136)	\$ 70,828,302	
Net Income	--	--	--	4,335,861	--	--	4,335,861	
Dividends Paid	--	--	--	(22,655,000)	--	--	(22,655,000)	
Balance, December 31, 2023	6,181	\$ 6,181	\$ 23,834,066	\$ 45,416,052	1,650	\$ (16,747,136)	\$ 52,509,163	
Net Income	--	--	--	8,494,279	--	--	8,494,279	
Balance, December 31, 2024	6,181	\$ 6,181	\$ 23,834,066	\$ 53,910,331	1,650	\$ (16,747,136)	\$ 61,003,442	
Net Income	--	--	--	2,306,154	--	--	2,306,154	
Balance, June 30, 2025	6,181	\$ 6,181	\$ 23,834,066	\$ 56,216,485	1,650	\$ (16,747,136)	\$ 63,309,596	

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND JUNE 30, 2024
(UNAUDITED)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,306,154	\$ 3,966,840
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	3,904,563	3,938,835
Amortization	1,741,508	2,123,129
Amortization of Intangible Asset as Rent Income Reduction	16,000	15,000
Unrealized Holding Losses (Gains) on Marketable Equity Securities	37,879	(610,701)
Gain on Sale of Assets	--	(1,040,651)
Change in Balance Sheet Accounts, Net:		
Receivables	(77,473)	1,055,794
Prepaid Expenses and Other Assets	1,008,813	917,256
Accounts Payable and Other Liabilities	(100,014)	(159,591)
Deferred Income Taxes	(9,849)	158,782
Current Income Taxes	(184,880)	(476,028)
Net Cash Provided by Operating Activities	8,642,701	9,888,665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Disposition of Assets	--	3,825,122
Purchases of Equipment & Furniture	(431,939)	(395,308)
Purchases of Rental Property	(1,810,164)	(1,833,577)
Purchases of Tenant Leasehold Improvements	(1,107,064)	(778,075)
Net Cash Provided by (Used In) Investing Activities	(3,349,167)	818,162
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Mortgage Notes	(2,490,642)	(2,395,086)
Net Cash Used In Financing Activities	(2,490,642)	(2,395,086)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,802,892	8,311,741
CASH and CASH EQUIVALENTS, Beginning of Period	21,605,305	13,894,945
CASH and CASH EQUIVALENTS, End of Period	\$ 24,408,197	\$ 22,206,686

See accompanying notes to the consolidated financial statements

TOWER PROPERTIES COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025
(UNAUDITED)

1. BUSINESS

Tower Properties Company and Subsidiaries (the “Company”) is primarily engaged in the business of owning, developing, leasing and managing real property located in Douglas and Johnson Counties in Kansas, and Clay and St. Louis Counties in Missouri. Substantially all of the improved real estate owned by the Company consists of office buildings, apartment complexes and land held for future sale or development.

2. SUMMARY OF PRESENTATION

The consolidated financial statements included herein have been prepared by Tower Properties Company and Subsidiaries and in the opinion of management, present a fair statement of the results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest disclosure report for the year ended December 31, 2024 to provide a description of the accounting policies which have been continued without change, and for additional information about the Company’s financial condition.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

Interest paid during the six months ended June 30, 2025 and 2024 amounted to \$1,995,625 and \$2,091,180, respectively. Income taxes paid during the six months ended June 30, 2025 and 2024 amounted to \$1,005,000 and \$1,711,000, respectively.

Interest capitalized during the six months ended June 30, 2025 and 2024 amounted to \$28,430 and \$2,828, respectively.

4. INVESTMENT SECURITIES

The Company classifies its investment in equity securities at fair value, and the unrealized loss, net of tax effects, is recorded in net income.

5. SALES OF PROPERTIES AND ACQUISITIONS

There were no sales or acquisitions of property during the six months ended June 30, 2025.

On May 31, 2024, the Company sold the One and Two Liberty Plaza Office Buildings in Liberty, Missouri. The sales price was \$3,950,000 which resulted in a net gain on sale of \$1,040,651 and after the Company paid a broker commission, other reconciliations and costs at closing, \$3,728,122 was deposited into the Company's cash account.

There were no acquisitions of property during the six months ended June 30, 2024.

6. RELATED PARTY TRANSACTIONS

The Company has a variety of related party transactions with Commerce Bancshares, Inc. and its subsidiaries ("Commerce"). The Company had the following transactions with Commerce:

- Management and Service Fees – The Company previously managed certain properties owned by Commerce under property and construction management agreements that matured on December 31, 2024. These agreements were not extended by Commerce after December 31, 2024. No fees were earned under these property and construction management agreements for the six months ended June 30, 2025. Total fees earned under these property and construction management agreements were \$387,189 for the six months ended June 30, 2024. The Company previously earned lease commissions on properties owned by Commerce under a listing agreement that matured on December 31, 2024. This listing agreement was not extended by Commerce after December 31, 2024. No fees for lease commissions were earned for the six months ended June 30, 2025. Total fees for lease commissions earned were \$7,486 for the six months ended June 30, 2024. The Company also previously earned income from consulting fee services. No fees were earned for consulting services for the six months ended June 30, 2025. Total fees earned for consulting services were \$850 for the six months ended June 30, 2024. The Company believes revenues earned under the arrangements with Commerce were at market rates and were similar to the revenues earned by other unrelated parties.
- Interest and Other Income – The Company owned 270,564 shares of Commerce Bancshares, Inc. common stock at June 30, 2025. The Company received dividend income from ownership of Commerce Bancshares common stock of \$148,810 for the six months ended June 30, 2025. The Company owned 257,680 shares at June 30, 2024 and received dividend income of \$139,147 for the six months ended June 30, 2024. The Company believes dividends paid by Commerce Bancshares are similar to those paid to other depositors and stockholders.
- Unrealized Holding Gains (Losses) on Marketable Equity Securities—The Company owns shares of Commerce Bancshares, Inc. and classifies the investment in equity securities at fair value with changes in the fair value recognized through net income and reflected in the account Unrealized Holding Gains (Losses) on Marketable Equity Securities. The total net changes in fair value of these equity securities were \$(37,879) and \$610,701 for the six months ended June 30, 2025 and 2024, respectively. The Company believes the change in value of the shares are similar to other Commerce stockholders.

- Interest Expense- The Company has a \$13,500,000 line of credit (“Line of Credit”) with Commerce Bank that carries a variable interest rate equal to one and three quarter percent (1 3/4 %) in excess of the greater of a) forward looking one-month CME Term Secured Overnight Financing Rate (“SOFR”) or b) .50%. At June 30, 2025, the Company had no outstanding borrowings on the Line of Credit and if the Company had borrowings under the Line of Credit, the interest rate would be 6.07%. The Line of Credit is collateralized by 270,564 shares of Commerce Bancshares, Inc. common stock at June 30, 2025. The Company had approximately \$13,500,000 available under the Line of Credit at June 30, 2025. This line requires monthly interest payments and matures on June 1, 2026. The Company intends to renew the Line of Credit with Commerce upon maturity. There was no interest expense for the Line of Credit for the six months ended June 30, 2025 but the weighted average short term borrowing rate on the Line of Credit would have been 6.07%. There was no interest expense for the Line of Credit for the six months ended June 30, 2024. The Company believes the Line of Credit has been extended at market rates and that when interest expense is paid it will be similar to that paid by other customers of Commerce Bank.
- Other Expense – The Company previously had an office lease at 1000 Walnut, Suite 900, Kansas City, MO, a building owned by Commerce. That lease was amended during 2024 and expired on December 31, 2024. No rent expense was incurred during the six months ended June 30, 2025. Rent included in other expense was \$38,422 for the six months ended June 30, 2024. The Company believes that lease contained lease rates and other provisions similar to those leases with other tenants of Commerce at 1000 Walnut.

7. STOCK BASED COMPENSATION

The Company did not grant any stock options during the six months ended June 30, 2025 or 2024. There were no stock options outstanding at June 30, 2025 or 2024.

8. REVENUE RECOGNITION

The Company derives its revenue primarily from two sources: 1) rent from leases of real property, and 2) management and service fees from real property leased and managed. Rental revenue is recognized on a straight-line basis over the term of individual non-cancelable operating leases. The recognition of scheduled rent increases on a straight-line basis results in the recognition of a receivable from tenants. Such receivables were \$1,967,000 and \$1,908,000 at June 30, 2025 and 2024, respectively. Lease agreements generally do not provide for contingent rents. Amounts received from tenants upon early termination of leases are recorded when received as a reduction of lease receivables to the extent there is an associated straight line rent receivable, with the remainder recorded in other income. Management and service fees are recognized as a percentage of revenues on managed properties as earned over the terms of the related management agreements.

9. DIVIDEND

On February 16, 2023 the Company paid a cash dividend of \$5,000 per share totaling \$22,655,000 to the holders of record at January 23, 2023 of the 4,531 shares of common stock of the Company issued and outstanding.

10. SUBSEQUENT EVENTS

On July 1, 2025, Tower Properties Company modified the loan associated with the financing of the Hillsborough Apartment Complex in Mission, Kansas. The loan was a \$18,900,000 10-year non-recourse loan at 2.95% with a maturity date of December 1, 2025. Effective July 1, 2025, a modification was made to the loan to extend the maturity date of the loan to December 1, 2035. The modified loan is a \$22,000,000 non-recourse loan (30 year amortization) at 5.95% that matures with a balloon payment.

The Company has evaluated subsequent events from the balance sheet date through August 15, 2025, the date at which financial statements were available to be issued, and determined there are no other items to disclose.

CERTIFICATION

The financial statements, and the notes thereto, included herein have been prepared by Tower Properties Company (the “Company”), and in my opinion and the opinion of management, present fairly, in all material respects, the consolidated financial position of Tower Properties Company and Subsidiaries as of June 30, 2025 and December 31, 2024, and the consolidated results of its operations and its cash flows for each of the six month periods ended June 30, 2025 and 2024. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest disclosure report for the year ended December 31, 2024 to provide a description of the accounting policies which have been continued without change, and for additional information about the Company’s financial condition.

/s/ Edward A. Smith
Edward A. Smith
Chief Financial Officer
August 15, 2025