TOWER PROPERTIES COMPANY AND SUBSIDIARIES

DISCLOSURE FOR FISCAL YEAR ENDED DECEMBER 31, 2025

TOWER PROPERTIES COMPANY
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For Online Access of Quarterly and Annual Disclosure Reports: otcmarkets.com Symbol: TPRP

DIRECTORS

Jonathan M. Kemper
Non-Executive Chairman of Tower Properties Company

Thomas R. Willard
Vice Chairman of Commerce Trust Company, a division of Commerce Bank, a Missouri Banking Corporation

David W. Kemper
Executive Chairman, Commerce Bancshares, Inc., a bank holding company

William E. Quirk
Retired Shareholder, Polsinelli PC, a law firm

John W. Kemper
President and Chief Executive Officer, Commerce Bancshares, Inc., a bank holding company, Chairman and Chief Executive Officer Commerce Bank, a Missouri Banking Corporation

David B. Kemper
Chief Operating Officer, Trust Neighborhoods, a Missouri housing nonprofit

OFFICERS

Stanley J. Weber
President and Chief Executive Officer

Edward A. Smith
Treasurer, Secretary and Chief Financial Officer

Christopher B. Erdley
Vice President

Charles R. Gibson
Vice President

Stacey L. Klein
Vice President

General Development of Business:

In September 1989, Tower Properties Company ("Tower") formed Tower Acquisition Corp. ("TAC"), a wholly-owned subsidiary of Tower. TAC was formed pursuant to the terms of a merger between Tower and Commerce Bancshares, Inc. ("Commerce"), a bank holding company. Tower spun off certain assets and liabilities to TAC with a net book value of approximately $17,500,000. Tower then merged with Commerce on January 29, 1990. In connection with the merger, each Tower shareholder received 7.88 shares of Commerce in exchange for each Tower share. TAC's capital stock was distributed to Tower's shareholders on January 29, 1990 in the form of a stock dividend. TAC's name was changed to Tower Properties Company ("the Company") on this same date. The net assets distributed to TAC represent the origination of the assets currently owned and managed by the Company.

A private letter ruling was obtained from the IRS that the distribution was tax-free under Section 355 of the Internal Revenue Code and the merger constituted a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code.

Description of the Company's Business

The Company is primarily engaged in the business of owning, developing, leasing and managing real property. All real estate assets are located in Douglas and Johnson Counties in Kansas, and Clay and St. Louis Counties in Missouri. Substantially all the improved real estate owned by the Company consists of office buildings, apartment complexes and land held for future sale or development. The Company has not pursued a policy of acquiring real estate on a speculative basis for future sale, although some real estate owned by the Company may be sold at some future time.

The Company's leasing operations provided rental income constituting approximately 91 percent of the 2025 revenues. The remaining 9 percent of 2025 revenues include interest and other income (4 percent), gain on sale of assets (9 percent), less unrealized holding losses on marketable equity securities (-4 percent). The Company competes with other building owners in the renting and leasing of office building space and apartment housing. The Company employed 35 persons on a full-time basis and 4 persons on a part-time basis at December 31, 2025.

The Company previously leased rental space and parking and provided services to Commerce Bancshares, Inc. and its affiliates ("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 year ended December 31, 2025. Total fees paid to the Company by Commerce under these property and construction management agreements were $797,837 for the year ended December 31, 2024. The Company was also previously reimbursed by Commerce for labor and construction costs initially funded by the Company on behalf of Commerce. No labor and construction costs were reimbursed for the year ended December 31, 2025. Total labor and construction costs reimbursed for the year ended December 31, 2024 were $3,569,607.

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 December 31, 2025, is collateralized by 284,092 shares of Commerce Bancshares, Inc. common stock. The maximum available under the line of credit is based on a percentage of the value of the collateral. At December 31, 2025, the Company had no outstanding borrowings on the Line of Credit. The Company had approximately $11,900,000 available under the Line of Credit at December 31, 2025. 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 2026. The Company did not experience liquidity problems during the year ended December 31, 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 2026. If necessary, the Company believes it has adequate resources to collateralize additional financing. The Company had cash and cash equivalents of $39,778,000 at December 31, 2025. The Company’s revenues are primarily based on lease contracts which are not deemed to be materially at risk.

Real Property Owned by Company

The Company considers all our properties to be in investment grade condition.

The Barkley Place, a 6-story 98,000 rentable square foot office building located in Overland Park, Kansas. The building was completed in 1988. The Company purchased the building on July 15, 1994. The building is presently 100 percent leased. The building is owned in fee at December 31, 2025.

7911 Forsyth, a 6-story 55,000 rentable square foot office building with covered parking on five levels plus surface parking on top of the attached garage located in Clayton, Missouri. The building was completed in 1985. The Company purchased the building on December 1, 1998. The building is presently 95 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $7,043,118 at December 31, 2025.

6601 College Boulevard, a 6-story 99,000 rentable square foot office building, located in Overland Park, Kansas. The building was completed in 1979. The Company purchased the building on December 15, 1995. The building was fully renovated in 2016. The building is presently 66 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $11,920,003 at December 31, 2025.

The 10955 Lowell Building (Building 20), a 10-story 112,000 square foot office building located in Overland Park, Kansas. The building was completed in 1983. The Company purchased the building on July 1, 2005. The building is presently 89 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $7,109,392 at December 31, 2025.

The 7400 Place Building, a 2-story 47,000 rentable square foot office building with a total of 177 parking spaces, 36 of which are in a one-story basement parking structure located at 7400 State Line, Prairie Village, Kansas. The building was completed in 1986. The Company purchased the building on December 15, 2006. The building is presently 72 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $4,374,780 at December 31, 2025.

The Corinth Office Building, a 2-story, above ground plus a lower level office building totaling 48,000 rentable square feet with a total of 140 surface parking spaces, located at 8340 Mission Road, Prairie Village, Kansas. The building was completed in 1965. The Company purchased the building on June 20, 2008. The building is presently 98 percent leased. The building is owned in fee at December 31, 2025.

The Corinth Executive Building, a 2-story 50,000 rentable square foot office building with a total of 235 surface parking spaces located at 4121 W. 83rd Street, Prairie Village, Kansas. The building was completed in 1973. The Company purchased the building on June 20, 2008. The building is presently 97 percent leased. The building is owned in fee at December 31, 2025.

The Somerset Building, a 2-story 43,000 rentable square foot office building with a total of 180 surface parking spaces located at 4200 Somerset, Prairie Village, Kansas. The building was completed in 1978. The Company purchased the building on June 20, 2008. The building is presently 94 percent leased. The building is owned in fee at December 31, 2025.

The Indian Creek Campus I Building, a 4-story 112,000 rentable square foot office building with a total of 490 parking spaces located at 10740 Nall, Overland Park, Kansas. The building was completed in 1998. The Company purchased the building on November 1, 2016. The building is presently 96 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $6,351,520 at December 31, 2025.

The Creekview Corporate Center Building, a 4-story 122,000 rentable square foot office building with a total of 570 parking spaces located at 12900 Foster, Overland Park, Kansas. The building was completed in 1998. The Company purchased the building on November 1, 2016. The building is presently 59 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $6,634,100 at December 31, 2025.

The Deer Creek Woods Bldg #3, a 3-story 36,390 rentable square foot office building with a total of 4 parking spaces located at 7301 W. 133rd Street, Overland Park, Kansas. Parking is also available on land owned by the Business Park Association including 151 parking spaces directly surrounding the building. The building was completed in 2004. The Company purchased the building on November 1, 2017. The building is presently 100 percent leased. The building is owned in fee at December 31, 2025.

The Timberlands Building, a 3-story 91,272 rentable square foot office building with a total of 420 parking spaces located at 4000 W. 114th Street in Leawood, Kansas. The building was completed in 1999. The Company purchased the building on June 11, 2018. The building is presently 100 percent leased. The building is subject to a mortgage deed of trust securing a loan with a balance owing of $5,831,004 at December 31, 2025.

7905 Forsyth, a 2-story 4,589 rentable square foot office building with a total of 9 parking spaces located in Clayton, Missouri. The building was completed in 1948. The Company purchased the building on December 29, 2021. The building is presently vacant. The building is owned in fee at December 31, 2025.

The Company has approximately 28 acres of undeveloped land held for sale located in Clay County in Kansas City, Missouri. The tract is owned in fee at December 31, 2025.

A 24-building, 329-unit apartment complex, on a 30.3-acre tract, located at 5401 Fox Ridge Drive in Mission, Kansas called Hillsborough. Construction of the initial complex was completed in 1985, with an addition of 7 buildings in 1996. The Company purchased the complex on December 31, 1992. The apartments are presently 98 percent leased. The 329 units are subject to a mortgage deed of trust securing a loan with a balance owing of $21,893,135 at December 31, 2025.

A 12-building, 262-unit apartment complex, on a 14.34-acre tract located at 6800 Antioch in Merriam, Kansas called Peppertree. Construction of the initial complex was completed in 1987, with an addition of 100 units in 2009. The Company purchased the initial complex on September 30, 1993. The apartments are presently 96 percent leased. The apartments are subject to a mortgage deed of trust securing a loan with a balance owing of $11,976,706 at December 31, 2025.

A 6-building, 51-unit apartment complex, on a 3.1-acre tract, located at 2201 Harper Street in Lawrence, Kansas called Harper Square. Construction of the initial 4-building complex was completed in 1994, with an addition of 2 buildings in 2003. The Company purchased the complex on June 30, 2011. The apartments are presently 98 percent leased. The 51 units are subject to a mortgage deed of trust securing a loan with a balance owing of $1,444,983 at December 31, 2025.

A 111-building, 212-unit apartment complex, on a 35.6-acre tract, located at 3401 Hutton Drive in Lawrence, Kansas called Hutton Farms. Construction of the complex was completed in 2004. The Company purchased the complex on June 30, 2011. The apartments are presently 97 percent leased. The 212 units are subject to a mortgage deed of trust securing a loan with a balance owing of $15,276,186 at December 31, 2025.

A 45-building, 87-unit expansion of the Hutton Farms Apartment complex on a 16.415 acre tract, located in Lawrence, Kansas adjacent to Hutton Farms. The Company purchased the land on September 1, 2015. Construction of the complex was completed in 2016. The apartments are presently 99 percent leased. The 87 units are subject to a mortgage deed of trust securing a loan with a balance of $6,989,666 at December 31, 2025.

A 16-building, 148-unit apartment complex, on a 9.6-acre tract, located at 2600 W. 6th St. in Lawrence, Kansas called Tuckaway. Construction of the initial 15-building complex was completed in 1997, with an addition of 1 building in 2004. The Company purchased the complex on June 30, 2011. The apartments are presently 97 percent leased. The 148 units are subject to a mortgage deed of trust securing a loan with a balance owing of $7,766,784 at December 31, 2025.

A 9-building, 49-unit apartment complex, on a 4.3-acre tract, located at 4241 Briarwood Drive in Lawrence, Kansas called Briarwood. Construction of the complex was completed in 2002. The Company purchased the complex on June 30, 2011. The apartments are presently 98 percent leased. The 49 units are subject to a mortgage deed of trust securing a loan with a balance owing of $2,528,720 at December 31, 2025.

A 35-building, 263-unit apartment complex, on a 22.7-acre tract, located at 7110 Lackman Road and 7150 Lackman Road in Shawnee, Kansas called Tuckaway at Shawnee. Construction of the initial 17-building complex was completed in 1999, with an addition of 18 buildings in 2000. The Company purchased the complex on November 1, 2012. The apartments are presently 93 percent leased. The 263 units are owned in fee at December 31, 2025.

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 and parking garage 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. 83rd 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
7905 Forsyth Office Building	2-story office building, Clayton, Missouri
Deer Creek Woods Office Bldg #3	3-story office building, 7301 W. 133rd Street Overland Park, Kansas
Timberlands Office Building	3-story office building, 4000 W. 114th Street Leawood, Kansas
New Mark Subdivision	28 acres of residential and commercial land in the area of 100th 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 4241Briarwood 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
December 31, 2025 and December 31, 2024

ASSETS	**2025**	**2024**
Investment in Commercial Properties:		
Rental Property, Net	$ 130,087,279	$ 138,684,561
Tenant Leasehold Improvements, Net	13,573,469	11,932,053
Equipment and Furniture, Net	3,544,096	3,780,357
Construction in Progress	355,422	969,486
Commercial Properties, Net	147,560,266	155,366,457
Real Estate Held for Sale	125,445	125,445
Cash and Cash Equivalents (Including Related Party)	39,777,677	21,605,305
Investment Securities At Fair Value (Related Party)	14,869,375	16,858,843
Receivables	2,608,941	2,034,338
Income Taxes Receivable	107,545	149,732
Prepaid Expenses and Other Assets	1,436,359	1,960,484
Intangible Asset-Acquired In-Place Leases Value	73,333	113,333
Intangible Asset-Acquired Above-Market Leases	33,000	65,000
Total Assets	$ 206,591,941	$ 198,278,937
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Liabilities:		
Mortgage Notes	$ 117,140,097	$ 113,463,543
Unamortized Debt Issuance Costs	(232,716)	(288,158)
Accounts Payable and Other Liabilities	10,192,958	9,051,216
Deferred Income Taxes	14,780,285	15,048,894
Total Liabilities	141,880,624	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	60,400,206	53,910,331
	84,240,453	77,750,578
Less Treasury Stock, At Cost (1,757 and 1,650 shares in 2025 and 2024, respectively)	(19,529,136)	(16,747,136)
Total Stockholders' Investment	64,711,317	61,003,442
Total Liabilities and Stockholders' Investment	$ 206,591,941	$ 198,278,937

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES		
Non-Related Party Revenues:		
Rent	$ 42,282,924	$ 42,673,463
Management and Service Fee	17,499	27,104
Gain on Sale of Assets	4,114,887	1,040,651
Interest and Other Income	1,787,391	1,481,806
Total Non-Related Party Revenues	48,202,701	45,223,024
Related Party Revenues:		
Management and Service Fee	--	797,837
Interest and Other Income	297,631	278,294
Unrealized Holding Gains (Losses) on Marketable Equity Securities	(1,989,468)	3,096,154
Total Related Party Revenues (Losses)	(1,691,837)	4,172,285
Total Revenues	46,510,864	49,395,309
EXPENSES		
Operating Expenses	7,360,473	6,952,374
Maintenance and Repairs	6,216,755	5,710,124
Depreciation and Amortization	11,307,562	11,987,449
Taxes Other than Income	5,840,742	5,925,694
General, Administrative and Other (Including Related Party)	2,868,863	3,219,255
Total Expenses before Interest Expense and Income Taxes	33,594,395	33,794,896
INTEREST EXPENSE	4,377,160	4,121,658
Income Before Provision for Income Taxes	8,539,309	11,478,755
PROVISION (BENEFIT) FOR INCOME TAXES		
Current	2,318,043	3,427,285
Deferred	(268,609)	(442,809)
Total Provision for Income Taxes	2,049,434	2,984,476
NET INCOME	$ 6,489,875	$ 8,494,279

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
FOR THE YEARS DECEMBER 31, 2025 AND 2024

	Common Stock				Treasury Stock		
	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Total
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	--	--	--	6,489,875	--	--	6,489,875
Treasury Stock Purchases	--	--	--	--	107	(2,782,000)	(2,782,000)
Balance, December 31, 2025	6,181	$ 6,181	$ 23,834,066	$ 60,400,206	1,757	$ (19,529,136)	$ 64,711,317

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 6,489,875	$ 8,494,279
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	7,801,728	7,817,024
Amortization	3,505,834	4,170,425
Amortization of Intangible Asset as Rent Income Reduction	32,000	30,000
Unrealized Holding Losses(Gains) on Marketable Equity Securities	1,989,468	(3,096,154)
Gain On Sale of Assets	(4,114,887)	(1,040,651)
Change in Balance Sheet Accounts, Net:		
Receivables	(574,603)	1,332,323
Prepaid Expenses and Other Assets	524,125	(670,681)
Accounts Payable and Other Liabilities	1,141,742	1,311,445
Deferred Income Taxes	(268,609)	(442,809)
Current Income Taxes	42,187	(253,447)
Net Cash Provided by Operating Activities	16,568,860	17,651,754
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Disposition of Assets	9,152,475	3,825,122
Purchases of Equipment and Furniture	(860,560)	(758,063)
Purchases of Rental Property	(2,368,418)	(3,538,752)
Purchases of Tenant Leasehold Improvements	(5,180,989)	(4,637,007)
Net Cash Provided by (Used In) Investing Activities	742,508	(5,108,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Mortgage Notes	(4,780,005)	(4,832,694)
Proceeds from Long Term Borrowing	8,456,559	--
Purchases of Treasury Stock	(2,782,000)	--
Debt Issuance Costs	(33,550)	--
Net Cash Provided by (Used in) Financing Activities	861,004	(4,832,694)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,172,372	7,710,360
CASH and CASH EQUIVALENTS, Beginning of Year	21,605,305	13,894,945
CASH and CASH EQUIVALENTS, End of Year	$ 39,777,677	$ 21,605,305

See accompanying notes to the consolidated financial statements.

TOWER PROPERTIES COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Tower Properties Company and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities.

Commercial Properties, Depreciation and Amortization

Commercial Properties are stated at cost less accumulated depreciation. Depreciation is charged to operations using straight-line and accelerated methods over the estimated asset lives, or in the case of tenant leasehold improvements, the term of the lease. The estimated useful lives of Commercial Properties range from 1 to 40 years with the majority of the assets having lives of 27.5 years or 39 years.

Maintenance and repairs are charged to expense as incurred. The cost of additions and betterments that improve or extend the useful life of the property are capitalized. Applicable interest charges incurred during the construction of new facilities are capitalized as one of the elements of cost and are amortized over the assets' estimated useful lives. The cost of assets retired or sold and the related accumulated depreciation are removed from the applicable accounts and any gain or loss is recognized as income or expense. Fully depreciated assets are retained in the accounts until retired or sold.

The amount of accumulated amortization on tenant leasehold improvements was $34,257,459 and $33,995,649 at December 31, 2025 and 2024, respectively.

The amount of accumulated depreciation on equipment and furniture was $27,075,708 and $26,315,095 at December 31, 2025 and 2024, respectively.

Impairment of Long-Lived Assets

The Company assesses the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the underlying asset may not be recoverable. Certain factors that may occur and indicate that an impairment exists include, but are not limited to: significant underperformance relative to expected projected future operating results; significant changes in the manner of the use of the assets; and significant adverse industry or market economic trends. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeded its estimated future undiscounted cash flows, an impairment charge would be recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet as held for sale and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short term investments with an original maturity of three months or less.

Investment Securities

The Company classifies its 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 amount recognized as income (loss) in Unrealized Holding Gains (Losses) on Marketable Equity Securities was $(1,989,468) and $3,096,154 for the years ended December 31, 2025 and 2024, respectively.

Revenue Recognition

The Company derives its revenue primarily from two sources: 1) rent from leases of real property, and 2) management and services fees from real property leased and managed. Rental revenue is recognized on a straight-line basis over the term of individual non-cancellable 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 $2,395,511 and $1,817,910 at December 31, 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.

2025	Rent Revenue	Management and Service Fee Revenue	Total
Revenue from contracts with customers under ASC 606	-	$17,499	$17,499
Revenue from contracts accounted for under ASC 842	$42,282,924	-	$42,282,924
Total Operating Revenue	$42,282,924	$17,499	$42,300,423

2024	Rent Revenue	Management and Service Fee Revenue	Total
Revenue from contracts with customers under ASC 606	-	$824,941	$824,941
Revenue from contracts accounted for under ASC 842	$42,673,463	-	$42,673,463
Total Operating Revenue	$42,673,463	$824,941	$43,498,404

Real Estate Held for Sale

The Company's real estate held for sale is recorded at the lower of depreciated cost or estimated realizable value. Revenue is recorded on the sale of real estate when title passes to the buyer and the earnings process is complete. Assets are generally classified as held for sale once management has initiated an active program to market them for sale and the consummation of a sale is considered probable and is expected within one year. On occasion, the Company will receive unsolicited offers from third parties to buy individual Company properties. Under these circumstances, the Company will classify the properties as held for sale as of the date when a sales contract is executed with no contingencies and the prospective buyer has funds at risk to ensure performance.

Consolidated Statements of Cash Flows

Interest payments were $4,341,429 and $4,139,839 during the years ended December 31, 2025 and 2024, respectively. Income taxes paid, net of income tax refunds, amounted to $2,275,856 and $3,680,732 in the years ended December 31, 2025 and December 31, 2024, respectively.

Interest of $28,430 and $2,828 was capitalized during the years ended December 31, 2025 and 2024, respectively.

Recently Issued Accounting Standards

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU enhances annual income tax disclosures by requiring qualitative disclosure about specific categories of reconciling items that result in a significant difference between the statutory rate and the effective tax rate. In addition, this ASU requires annual disclosure of income taxes paid disaggregated by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2025 on a prospective basis, with the option to apply the standard retrospectively. The Company has evaluated the effect that ASU 2023-09 will have on our consolidated financial statements and related disclosures and adoption will not have a significant effect on the Company’s consolidated financial statements and related disclosures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; valuation of deferred tax assets, acquired tangible and intangible assets and assumed liabilities in business combinations and investments; and reserve for income tax uncertainties and other contingencies.
The Company's accounting policies conform to accounting principles generally accepted in the United States of America.

2. RENTAL PROPERTY:

Major classes of rental property owned by the Company at December 31, 2025 and 2024, are as follows:

	Cost	Accumulated Depreciation	Net
December 31, 2025—			
Commercial office	$125,747,535	$ 42,231,672	$ 83,515,863
Apartments	104,868,283	58,296,867	46,571,416
	$230,615,818	$100,528,539	$ 130,087,279

	Cost	Accumulated Depreciation	Net
December 31, 2024—			
Commercial office	$134,431,305	$ 44,873,862	$ 89,557,443
Apartments	103,808,730	54,681,612	49,127,118
	$238,240,035	$ 99,555,474	$138,684,561

Future minimum rentals to be received by the Company, pursuant to noncancellable operating leases in effect as of December 31, 2025 are as follows:

Year Ending December 31,	Amount
2026	$ 32,202,149
2027	18,121,912
2028	14,304,783
2029	11,813,360
2030	10,052,313
Thereafter	19,092,569
	$ 105,587,086

3. LONG-TERM DEBT:

Mortgage notes payable secured by commercial property with depreciated cost of approximately $113,900,000 and $115,300,000 at December 31, 2025 and 2024, respectively and an assignment of certain leases and related revenue, consist of the following:

	2025	2024
4.10%, principal and interest payable		
$106,675 monthly, until April, 2027		
final balloon payment due May, 2027	15,276,186	15,915,717
3.40%, principal and interest payable		
$24,900 monthly, until April, 2031		
final balloon payment due April, 2031	4,374,780	4,520,040
4.00%, principal and interest payable		
$56,096 monthly, until July, 2028		
final balloon payment due August, 2028	5,831,004	6,258,251
3.15%, principal and interest payable		
$12,033 monthly, until May, 2031		
final balloon payment due June, 2031	2,528,720	2,592,366
3.15%, principal and interest payable		
$6,876 monthly, until May, 2031		
final balloon payment due June, 2031	1,444,983	1,481,352
3.15%, principal and interest payable		
$36,957 monthly, until May, 2031		
final balloon payment due June, 2031	7,766,784	7,962,267
4.20%, principal and interest payable		
$49,589 monthly until May, 2032		
final balloon payment due June, 2032	7,043,118	7,331,583
5.95%, principal and interest payable		
$132,434 monthly, until November, 2035		
final balloon payment due December, 2035	21,893,135	13,885,016
3.50%, principal and interest payable		
$47,770 monthly, until November, 2031		
final balloon payment due December, 2031	6,989,666	7,309,394

	2025	2024
3.50%, principal and interest payable $57,996 monthly, until October, 2026 final balloon payment due November, 2026	6,351,520	6,813,174
3.50%, principal and interest payable $61,169 monthly, until October, 2026 final balloon payment due November, 2026	6,634,100	7,123,263
3.50%, principal and interest payable $52,196 monthly, until April, 2030 final balloon payment due May, 2030	7,109,392	7,476,385
3.00%, principal and interest payable $66,789 monthly, until November, 2030 final balloon payment due November, 2030	11,976,706	12,406,777
3.75%, principal and interest payable $77,570 monthly, until November, 2026 refinanced August, 2022, rate and payment will change December, 2026 final balloon payment due August, 2032	11,920,003	12,387,958
Total Mortgage Notes Payable	$ 117,140,097	$ 113,463,543

Minimum long-term debt principal payments for mortgage notes required over the next five years and thereafter are as follows:

Year	Amount
2026	$ 16,769,290
2027	17,883,463
2028	7,837,693
2029	3,040,790
2030	17,850,402
Thereafter	53,758,459
	$ 117,140,097

The carrying amounts and estimated fair values of long-term debt are based on current market interest rates for similar issues as follows:

2025		2024	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$117,140,097	$108,883,000	$113,463,543	$101,644,000

The fair values are based on the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt issues of similar quality and terms. The Company negotiates its long-term debt rates on a property by property basis. The carrying amount of the debt represents the actual face value of the contractual debt contracts. The fair value is an estimate of what the mortgage holder could resell the debt for at year end.

At December 31, 2025, the Company had no outstanding borrowings on the Line of Credit. There were no payments on or borrowings against the line for the years ended December 31, 2025 and December 31, 2024.

On July 1, 2025, the Company modified a loan associated with the Hillsborough Apartment Complex in Mission, Kansas. The loan was a $18,900,000 10-year (25 year amortization) non-recourse loan at 2.95% that was scheduled to mature on December 1, 2025. The loan had an outstanding balance of $13,543,441 on July 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 and update the interest rate. The modified loan is a $22,000,000 (30 year amortization) non-recourse loan at 5.95% that matures with a balloon payment on December 1, 2035.

4. INCOME TAXES:

The Company's effective income tax rate differed from the statutory federal income tax rate primarily due to the following:

	2025	2024
Statutory federal income tax rate	21.0%	21.0%
Tax effect of:		
Dividend exclusion	(.4)	(.3)
State income taxes, net of federal effect	4.0	4.3
Other	(.6)	1.0
Effective income tax rate	24.0%	26.0%

Deferred income taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using the enacted tax rate. The tax effect of temporary differences giving rise to the Company's net deferred income tax liability at December 31, 2025 and 2024 is as follows:

	2025	2024
Deferred tax assets:		
Lease accounting	309,207	371,100
Accrued vacation	7,838	7,956
Bad debt	14,369	17,434
Gross deferred tax assets	331,414	396,490
Deferred tax liabilities:		
Depreciation on rental income property, equipment and furniture	(8,482,454)	(8,787,537)
Amortization of leasehold improvements	(2,054,967)	(1,657,545)
Unrealized holding gain for securities	(3,706,522)	(4,223,784)
Accrued rent receivable	(622,833)	(472,657)
Prepaid expenses	(244,923)	(303,861)
	(15,111,699)	(15,445,384)
Net deferred income tax liability	$ (14,780,285)	$ (15,048,894)

Due to the history of earnings and projected future results, the Company believes it is more likely than not that future operations will generate sufficient taxable income to realize the deferred tax assets.

5. SALES AND ACQUISITIONS OF PROPERTIES:

On December 5, 2025, the Company sold the Woodlands Plaza I Office Building in St. Louis, Missouri. The sales price was $9,737,000 which resulted in a net gain on sale of $4,114,887 and after the Company paid a broker commission, other reconciliations and costs at closing, $8,872,107 was deposited into the Company's cash account.

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 years ended December 31, 2025 or December 31, 2024.

6. RELATED PARTY TRANSACTIONS:

A former officer and some of the directors of the Company are also employees, officers and/or directors of Commerce Bank and Commerce Bancshares, Inc. and its subsidiaries ("Commerce"). Thomas R. Willard, who retired as Vice Chairman of the Company on January 16, 2024, also holds the position of Vice Chairman of the Commerce Trust Company, a division of Commerce Bank.

The Company previously earned management and service fees income from Commerce. The management and service fees income was earned under property and construction management agreements that matured on December 31, 2024. These agreements were not extended by Commerce after December 31, 2024. No income was earned under these property and construction management agreements for the year ended December 31, 2025. The Company earned management and service fees income from Commerce of $797,837 for the year ended December 31, 2024.

At December 31, 2025, the Company owned 284,092 shares of Commerce Bancshares, Inc. common stock, which is shown as a related party investment in the accompanying balance sheet recorded at a fair value of $14,869,375. The Company records changes in the fair value recognized through net income and reflected in the account Unrealized Holding Gains (Losses) on Marketable Equity Securities. The total increases (decreases) in fair value of these equity securities were $(1,989,468) and $3,096,154 in 2025 and 2024, respectively. Dividend income received as owner of Commerce Bancshares, Inc. common stock was $297,631 and $278,294 in 2025 and 2024, respectively which is recorded in Interest and Other Income on the Statements of Operations.

A portion of the Company's cash and cash equivalents is held at Commerce Bank. There was no interest income earned from those cash and cash equivalents in 2025 or 2024.

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 December 31, 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 5.59%. The Line of Credit is collateralized by 284,092 shares of Commerce Bancshares, Inc. common stock at December 31, 2025. The maximum available under the line of credit is based on a percentage of the value of the collateral. The Company had approximately $11,900,000 available under the Line of Credit at December 31, 2025. This line requires monthly interest payments and matures 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 2025 or 2024, but the weighted average short term borrowing rate on the Line of Credit would have been 5.99% for 2025.

The Company previously leased their offices at 1000 Walnut, Suite 900, Kansas City, MO, a building owned by Commerce. This lease was amended during 2024 and expired on December 31, 2024. No rent was paid during the year ended December 31, 2025. Rent included in General, Administrative and Other expense was $80,693 for the year ended December 31, 2024.

7. BENEFIT PLANS:

Some of the Company's union employees are covered by union-sponsored, collectively-bargained, multi-employer pension plans. Tower contributed $21,412 and $130,104 in 2025 and 2024, respectively, to such plans. The contributions were determined in accordance with the provisions of negotiated labor contracts and are based on the number of hours worked. The Company has a 401(k) plan whereby the Company matches 75% of employee contributions up to a maximum Company match equal to 4.5% of employee compensation. The Company matched $125,862 and $131,242 for the years ended December 31, 2025 and 2024, respectively. The Company also made discretionary contributions in the amounts of $50,400 and $53,200 for the years ended December 31, 2025 and 2024, respectively.

8. STOCK BASED COMPENSATION

The Company did not grant any stock options during the years ended December 31, 2025 or December 31, 2024. There were no stock options outstanding at December, 31 2025 or December 31, 2024.

9. FAIR VALUE MEASUREMENTS:

US GAAP discusses valuation techniques, such as the market approach (prices and other relevant information generated by market conditions involving identical or comparable assets or liabilities), the income approach (techniques to convert future amounts to single present amounts based on market expectations including present value techniques and option-pricing), and the cost approach (amount that would be required to replace the service capacity of an asset which is often referred to as replacement cost). A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company uses fair value measurements to record fair value adjustments to certain financial and nonfinancial assets and liabilities and to determine fair value disclosures. Financial instruments such as investment securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets and liabilities on a nonrecurring basis, such as long-lived assets and intangible assets. These nonrecurring fair value adjustments typically involve lower of cost or market accounting, or write-downs of individual assets.

Valuation methods for instruments measured at fair value on a recurring basis

Investment securities are priced using the market prices for each security from the major stock exchanges or other electronic quotation systems.

The following tables show assets measured at fair value on a recurring basis and also the level within the fair value hierarchy used to measure the assets as of December 31, 2025 and 2024.

	Balance December 31, 2025	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment Securities	$ 14,869,375	$ 14,869,375	$ -	$ -

	Balance December 31, 2024	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment Securities	$ 16,858,843	$ 16,858,843	$ -	$ -

Valuation methods for instruments measured at fair value on a nonrecurring basis

While the long-lived assets are not carried at fair value, certain factors may occur that indicate an impairment exists. If an impairment charge would be recognized, it would be the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

The Company initially measures its intangible assets at fair value, and amortizes them over the lease periods.

Fair value measurements may be based upon: a) appraisals or third-party price opinions and, accordingly, those measurements would be classified as Level 2, or b) internally developed pricing methods, and accordingly, those measurements would be classified as Level 3.

10. COMMITMENTS AND CONTINGENCIES:

At December 31, 2025, the Company has commitments to provide tenant improvement allowances in 2026 to 11 tenants that total $2,432,000.

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.

11. PURCHASES OF TREASURY STOCK

On July 7, 2025 the Company purchased 2 shares of the Company's common stock owned by a non-related shareholder for $26,000 per share for a total of $52,000.

On October 20, 2025 the Company purchased 105 shares of the Company's common stock owned by a non-related shareholder for $26,000 per share for a total of $2,730,000.

There were no purchases of Treasury Stock during the year ended December 31, 2024.

12. SUBSEQUENT EVENTS

On February 16, 2026 the Company paid a cash dividend of $5,000 per share totaling $22,120,000 to the holders of record at January 23, 2026 of the 4,424 shares of common stock of the Company issued and outstanding.

On March 26, 2026 the Company purchased 10 shares of the Company's common stock owned by a non-related shareholder for $28,000 per share for a total of $280,000.

The Company has evaluated subsequent events from the balance sheet date through March 27, 2026, the date at which financial statements were available to be issued, and determined there are no additional items to disclose.

Independent Auditors' Report
The Board of Directors
Tower Properties Company and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Tower Properties Company and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, stockholders' investment and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

/s/ KPMG LLP

Kansas City, Missouri
March 27, 2026