

**TOWER PROPERTIES COMPANY AND SUBSIDIARIES**  
**DISCLOSURE FOR QUARTER ENDED SEPTEMBER 30, 2024**

## **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, 2024 and at September 30, 2024 is collateralized by 257,680 shares of Commerce Bancshares, Inc. common stock. At September 30, 2024, the Company had no outstanding borrowings on the Line of Credit. The Company had approximately \$12,250,000 available under the Line of Credit at September 30, 2024. 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 2024. The Company did not experience liquidity problems during the nine months ended September 30, 2024. 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 2024. If necessary, the Company believes it has adequate resources to collateralize additional financing. The Company had cash and cash equivalents of \$22,086,000 at September 30, 2024. 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 September 30, 2024 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, 2023, except for: a) through September 30, 2024 \$934,000 of tenant improvements have been completed, and therefore, the tenant improvement commitments remaining from December 31, 2023 are \$1,912,000 and b) during the nine months ended September 30, 2024 the Company signed seven leases that created tenant improvement commitments that have a remaining balance of \$1,165,000 at September 30, 2024. These tenant improvement commitments are additional commercial commitments at September 30, 2024.

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 \$121,000 at September 30, 2024.

The Company owned 257,680 shares of common stock of Commerce Bancshares, Inc. with a fair value of \$15,306,000 as of September 30, 2024. 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 \$1,133,000 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 <sup>rd</sup> 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 <sup>rd</sup> Street Overland Park, Kansas
Timberlands Office Building	3-story office building, 4000 W. 114 <sup>th</sup> Street Leawood, Kansas
New Mark Subdivision	28 acres of residential and commercial land in the area of 100 <sup>th</sup> 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 <sup>th</sup> 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**  
**September 30, 2024 and December 31, 2023**

<b>ASSETS</b>	<b>(UNAUDITED)</b>	
	<b>2024</b>	<b>2023</b>
Investment in Commercial Properties:		
Rental Property, Net	\$ 139,756,607	\$ 145,640,736
Tenant Leasehold Improvements, Net	9,758,653	11,227,077
Equipment and Furniture, Net	3,897,591	4,058,010
Construction in Progress	582,822	146,592
Commercial Properties, Net	153,995,673	161,072,415
Real Estate Held for Sale	125,445	125,445
Cash and Cash Equivalents (Related Party)	22,086,384	13,894,945
Investment Securities At Fair Value (Related Party)	15,306,192	13,762,689
Receivables (Including Related Party)	2,355,081	3,366,661
Income Taxes Receivable	1,282,542	--
Prepaid Expenses and Other Assets	2,257,564	1,289,803
Intangible Asset-Acquired In-Place Leases Value	123,333	153,333
Intangible Asset-Acquired Above-Market Leases	72,500	95,000
<b>Total Assets</b>	<b>\$ 197,604,714</b>	<b>\$ 193,760,291</b>
<b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>		
Liabilities:		
Mortgage Notes	\$ 114,691,589	\$ 118,296,237
Unamortized Debt Issuance Costs	(311,194)	(380,298)
Accounts Payable and Other Liabilities	8,998,758	7,739,771
Income Taxes Payable	--	103,715
Deferred Income Taxes	15,893,014	15,491,703
Total Liabilities	139,272,167	141,251,128
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	51,239,436	45,416,052
	75,079,683	69,256,299
Less Treasury Stock, At Cost (1,650 and 1,650 shares in 2024 and 2023, respectively)	(16,747,136)	(16,747,136)
Total Stockholders' Investment	58,332,547	52,509,163
<b>Total Liabilities and Stockholders' Investment</b>	<b>\$ 197,604,714</b>	<b>\$ 193,760,291</b>

See accompanying notes to the consolidated financial statements.

**TOWER PROPERTIES COMPANY & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**  
**(UNAUDITED)**

	<b>2024</b>	<b>2023</b>
<b>REVENUES</b>		
Non-Related Party Revenues:		
Rent	\$ 31,907,696	\$ 31,122,056
Management and Service Fee	17,130	6,107
Gain on Sale of Assets	1,040,651	--
Interest and Other Income	1,082,934	3,450,167
Total Non-Related Party Revenues	34,048,411	34,578,330
Related Party Revenues:		
Management and Service Fee	583,349	1,153,293
Interest and Other Income	208,721	198,782
Unrealized Holding Gains (Losses) on Marketable Equity Securities	1,543,503	(4,930,287)
Total Related Party Revenues (Losses)	2,335,573	(3,578,212)
Total Revenues	36,383,984	31,000,118
<b>EXPENSES</b>		
Operating Expenses	5,195,384	5,181,432
Maintenance and Repairs	4,315,503	3,775,538
Depreciation and Amortization	9,034,966	9,431,609
Taxes Other than Income	4,468,563	4,459,563
General, Administrative and Other (Including Related Party)	2,397,436	2,230,182
Total Expenses before Interest and Income Taxes	25,411,852	25,078,324
<b>INTEREST EXPENSE</b>	3,102,694	3,223,827
Income Before Provision for Income Taxes	7,869,438	2,697,967
<b>PROVISION FOR INCOME TAXES</b>	2,046,054	701,471
<b>NET INCOME</b>	\$ 5,823,384	\$ 1,996,496

See accompanying notes to the consolidated financial statements.

**TOWER PROPERTIES COMPANY & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(UNAUDITED)**

	Common Stock			Retained Earnings	Treasury Stock		
	Shares	Amount	Paid-In Capital		Shares	Amount	Total
Balance, December 31, 2021	6,181	\$ 6,181	\$ 22,860,414	\$ 40,533,992	1,758	\$ (17,397,203)	\$ 46,003,384
Net Income	--	--	--	23,201,199	--	--	23,201,199
Exercise of Nonqualified Stock Options	--	--	973,652	--	(134)	1,326,067	2,299,719
Treasury Stock Purchases	--	--	--	--	26	(676,000)	(676,000)
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	--	--	--	5,823,384	--	--	5,823,384
Balance, September 30, 2024	6,181	\$ 6,181	\$ 23,834,066	\$ 51,239,436	1,650	\$ (16,747,136)	\$ 58,332,547

See accompanying notes to the consolidated financial statements.

**TOWER PROPERTIES COMPANY & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**  
**(UNAUDITED)**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 5,823,384	\$ 1,996,496
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	5,877,392	6,104,908
Amortization	3,157,574	3,326,701
Amortization of Intangible Asset as Rent Income Reduction	22,500	21,750
Unrealized Holding Losses (Gains) on Marketable Equity Securities	(1,543,503)	4,930,287
Gain on Sale of Assets	(1,040,651)	--
Change in Balance Sheet Accounts, Net:		
Receivables	1,011,580	457,737
Prepaid Expenses and Other Assets	(967,761)	(593,938)
Accounts Payable and Other Liabilities	1,258,987	1,193,154
Deferred Income Taxes	401,311	(1,281,875)
Current Income Taxes	(1,386,257)	(381,654)
Net Cash Provided by Operating Activities	12,614,556	15,773,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Disposition of Assets	3,825,122	--
Purchases of Equipment & Furniture	(621,004)	(652,819)
Purchases of Rental Property	(2,486,053)	(1,294,780)
Purchases of Tenant Leasehold Improvements	(1,536,534)	(2,588,163)
Net Cash Used In Investing Activities	(818,469)	(4,535,762)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal Payments on Mortgage Notes	(3,604,648)	(3,486,315)
Dividends Paid	--	(22,655,000)
Net Cash Used In Financing Activities	(3,604,648)	(26,141,315)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,191,439	(14,903,511)
<b>CASH and CASH EQUIVALENTS, Beginning of Period</b>	13,894,945	27,712,350
<b>CASH and CASH EQUIVALENTS, End of Period</b>	\$ 22,086,384	\$ 12,808,839

See accompanying notes to the consolidated financial statements

**TOWER PROPERTIES COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**  
**(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, 2023 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 nine months ended September 30, 2024 and 2023 amounted to \$3,124,752 and \$3,243,084, respectively. Income taxes paid during the nine months ended September 30, 2024 and 2023 amounted to \$3,031,000 and \$2,365,000, respectively.

Interest of \$2,828 was capitalized during the nine months ended September 30, 2024.

There was no interest capitalized during the nine months ended September 30, 2023.

**4. INVESTMENT SECURITIES**

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

## **5. SALES OF PROPERTIES AND ACQUISITIONS**

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 nine months ended September 30, 2024.

There were no sales or acquisitions of property during the nine months ended September 30, 2023.

## **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 manages certain properties owned by Commerce under property and construction management agreements that mature on December 31, 2024. Commerce has notified the Company that the agreements will not be extended past December 31, 2024. Total fees earned under these property and construction management agreements were \$565,775 and \$717,508 for the nine months ended September 30, 2024 and 2023, respectively. The Company earns lease commissions on properties owned by Commerce under a listing agreement. Total fees for lease commissions earned were \$16,124 and \$15,506 for the nine months ended September 30, 2024 and 2023, respectively. The Company also earned income from consulting fee services. Total fees earned for consulting services were \$1,450 and \$420,279 for the nine months ended September 30, 2024 and 2023, respectively. The Company believes revenues earned under the arrangements with Commerce are at market rates and are similar to the revenues earned by other unrelated parties.
- **Interest and Other Income** – The Company owned 257,680 shares of Commerce Bancshares, Inc. common stock at September 30, 2024. The Company received dividend income from ownership of Commerce Bancshares common stock of \$208,721 for the nine months ended September 30, 2024. The Company owned 245,410 shares at September 30, 2023 and received dividend income of \$198,782 for the nine months ended September 30, 2023. 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 \$1,543,503 and \$(4,930,287) for the nine months ended September 30, 2024 and 2023, 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 September 30, 2024, 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 6.95%. The Line of Credit is collateralized by 257,680 shares of Commerce Bancshares, Inc. common stock at September 30, 2024. On February 7, 2018 the Company sold 78,359 shares of Commerce Bancshares, Inc. common stock that was collateral for the Line of Credit and represented 29% of the ownership position at that time. Therefore, the maximum amount that may be borrowed on the Line of Credit at September 30, 2024 was approximately \$12,250,000. The Company had approximately \$12,250,000 available under the Line of Credit at September 30, 2024. This line requires monthly interest payments and matures on June 1, 2025. 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 nine months ended September 30, 2024 but the weighted average short term borrowing rate on the Line of Credit would have been 7.07%. There was no interest expense for the Line of Credit for the nine months ended September 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 has an office lease at 1000 Walnut, Suite 900, Kansas City, MO, a building owned by Commerce. The lease matures on March 31, 2025 and includes a 5 year extension option. The rent included in other expense was \$59,557 and \$61,749 for the nine months ended September 30, 2024 and 2023, respectively. The Company believes this lease contains lease rates and other provisions similar to those leases with other tenants of Commerce at 1000 Walnut.
- Included in receivables at September 30, 2024 and December 31, 2023 are amounts due from Commerce of \$213,585 and \$1,254,288, respectively.

## **7. STOCK BASED COMPENSATION**

The Company did not grant any stock options during the nine months ended September 30, 2024 or 2023. There were no stock options outstanding at September 30, 2024 or 2023.

## **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 \$1,859,000 and \$2,098,000 at September 30, 2024 and 2023, 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**

The Company has evaluated subsequent events from the balance sheet date through November 15, 2024, the date at which financial statements were available to be issued, and determined there are no 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 September 30, 2024 and December 31, 2023, and the consolidated results of its operations and its cash flows for each of the nine month periods ended September 30, 2024 and 2023. 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, 2023 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  
November 15, 2024