



**Aztec Land Company, LLC
and Subsidiaries**

Consolidated Financial Statements

December 31, 2025 and 2024



Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

Aztec Land Company, LLC and Subsidiaries

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December 31, 2025 and 2024

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Independent Auditor's Report

To the Manager and Those Charged with Governance
Aztec Land Company, LLC
P.O. Box 15548
Phoenix, AZ 85060

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aztec Land Company, LLC and Subsidiaries, which comprise the consolidated statements of assets, liabilities, and members' equity—income tax basis as of December 31, 2025 and 2024, and the related consolidated statements of revenues, expenses, and members' equity—income tax basis 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 assets, liabilities, and members' equity of Aztec Land Company, LLC and Subsidiaries as of December 31, 2025 and 2024, and its revenue and expenses and changes in members' equity accounts for the years then ended in accordance with the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes described in *Note 1*.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aztec Land Company, LLC and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Basis of Accounting

We draw attention to *Note 1* of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes, 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.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Aztec Land Company, LLC and Subsidiaries' 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 Aztec Land Company, LLC and Subsidiaries' 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.

Wallace, Plese + Dreher, S. S. P.

Scottsdale, Arizona
January 30, 2026

Aztec Land Company, LLC and Subsidiaries

Consolidated Statements of Assets, Liabilities, and Members' Equity - Income Tax Basis December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 15,869	\$ 126,669
Investment in The Apache Railroad Company, LLC	782,721	782,721
Land	<u>3,701,196</u>	<u>3,701,196</u>
	<u>\$ 4,499,786</u>	<u>\$ 4,610,586</u>
Liabilities and Members' Equity		
Liabilities		
Notes payable, related parties (<i>Note 4</i>)	\$ 1,277,849	\$ 2,501,869
Contingencies (<i>Note 6</i>)		
Members' equity	<u>3,221,937</u>	<u>2,108,717</u>
	<u>\$ 4,499,786</u>	<u>\$ 4,610,586</u>

See Notes to Consolidated Financial Statements

Aztec Land Company, LLC and Subsidiaries

Consolidated Statements of Revenues, Expenses, and Members' Equity - Income Tax Basis Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues collected	<u>\$ 2,330,964</u>	<u>\$ 871,597</u>
Operating expenses paid		
District base costs (<i>Note 6</i>)	-	37,312
Interest expense	55,980	81,730
Other operating expenses	2,836	2,962
Professional fees	<u>25,600</u>	<u>24,700</u>
	<u>84,416</u>	<u>146,704</u>
Excess of revenues collected over expenses paid	2,246,548	724,893
Members' equity, beginning	2,108,717	1,982,752
Distributions to members	<u>(1,133,328)</u>	<u>(598,928)</u>
Members' equity, ending	<u>\$ 3,221,937</u>	<u>\$ 2,108,717</u>

See Notes to Consolidated Financial Statements

Aztec Land Company, LLC and Subsidiaries

Notes to Consolidated Financial Statements – Income Tax Basis

December 31, 2025 and 2024

Note 1 – Nature of Business and Significant Accounting Policies

Nature of operations:

Aztec Land Company, LLC (the “Company”) is a Delaware Limited Liability Company formed by Aztec Land and Cattle Company, Limited (the “Corporation”).

The Company was formed by the Corporation and granted an option to purchase a portion of the Corporation's land (see *Note 4*). On January 1, 2003, the Corporation distributed to each of its stockholders a non-cash dividend consisting of one unit of the Company for each share of the Corporation. As a result of this dividend, each stockholder of the Corporation acquired an ownership interest in the Company proportionate to the stockholder's interest in the Corporation. The units of the Company are in book entry form only and are “stapled” to the shares of the Corporation. They can only be transferred or sold with the transfer or sale of a share in the Corporation.

Aztec Despain Ranch, LLC (“Despain, LLC”) is wholly owned by the Company. It was formed by the Corporation in November 2009 as a single member LLC to hold 6,443 acres of land (see *Note 4*).

Aztec East Jeffers, LLC (“East Jeffers, LLC”) is wholly owned by the Company. It was formed by the Corporation in April 2011 as a single member LLC. In June 2011, the Corporation contributed 14,143 acres of land to East Jeffers, LLC. In October 2011, the Company purchased the Corporation's membership interest in East Jeffers, LLC (see *Note 4*).

In 2023, the Corporation and the Company transferred their respective interests in oil and gas resources to Aztec Minerals, LLC (“Minerals”), a newly created subsidiary formed for the purposes of holding and developing those interests. Under the operating agreement for Minerals, the Corporation is a member and entitled to a preferred return of the distributions, if any, by Minerals.

The consolidated entity, herein referred to as the “Company”, was formed to create and implement a business strategy to develop and market certain land, mineral, and water resources. The Company's manager is the Corporation and at present, the Company has no employees. Revenues are derived primarily from various leases of its land, including solar and wind renewable energy development leases and grazing leases.

A summary of the Company's significant accounting policies follows:

Principles of consolidation:

All material intercompany balances have been eliminated in consolidation. The Corporation is the manager for the Company, Despain, LLC, and East Jeffers, LLC. Despain, LLC and East Jeffers, LLC are treated as disregarded entities for income tax purposes.

Basis of accounting:

The Company prepares its consolidated financial statements on the cash basis of accounting used by the Company for federal income tax purposes (hereafter, “the income tax basis of accounting”). The income tax basis of accounting is a special purpose financial reporting framework that differs from accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, certain revenues and expenses are recognized in the determination of excess (deficient) revenues over expenses collected in different reporting periods than they would be if the consolidated financial statements were prepared in conformity with U.S. GAAP. The income tax basis of accounting differs from U.S. GAAP for the Company due to recognition of revenues when collected and recognition of expenses when paid.

Aztec Land Company, LLC and Subsidiaries

Notes to Consolidated Financial Statements – Income Tax Basis

December 31, 2025 and 2024

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Basis of accounting (continued):

Although income tax rules are used to determine timing of the reporting of revenues and expenses, nontaxable revenues and nondeductible expenses, if any, are included in the determination of excess (deficient) revenues collected over expenses paid. The Company did not have any nontaxable revenues or nondeductible expenses during the years ended December 31, 2025 and 2024.

Cash and cash equivalents:

The Company considers all cash investments with original or purchased maturities of three months or less to be cash equivalents.

Investment in The Apache Railroad Company, LLC:

The Company has a membership interest in The Apache Railroad Company, LLC (“ARC”), the sole shareholder of The Apache Railway Company (the “Railway”). As a limited liability company, ARC’s excess (deficient) revenues over expenses are taxable proportionately to its unit holders for federal and state income tax reporting purposes. The Company’s share of ARC’s net income (loss) is recognized as a gain (loss) in the Company’s consolidated statements of revenues, expenses, and members’ equity—income tax basis, and is added to (deducted from) the investment account. Capital contributions to ARC are treated as additions to the investment account and distributions received from ARC are treated as reductions. ARC had zero net income for each of the years ended December 31, 2025 and 2024 (see *Note 2*).

Recognition of revenue:

The Company recognizes revenue when received.

Income taxes:

As a limited liability company, the excess (deficient) revenues over expenses are taxable proportionately to the Company’s unit holders for federal and state income tax reporting purposes. Therefore, each unit holder will receive a Schedule K-1 from the Company reflecting their pro-rata share of the Company’s excess (deficient) revenues over expenses and tax credits each year. If assessed, the Company would classify any interest and penalties associated with a tax position as other expenses in the consolidated statements of revenues, expenses, and members’ equity—income tax basis.

Use of estimates:

The preparation of consolidated financial statements in conformity with the cash basis of accounting used for federal income tax reporting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations. As such, the amounts reported in the accompanying consolidated financial statements may be subject to change upon final determination by the taxing authorities.

Subsequent events:

Management has evaluated subsequent events through January 30, 2026, which is the date the consolidated financial statements were available to be issued.

Aztec Land Company, LLC and Subsidiaries

Notes to Consolidated Financial Statements – Income Tax Basis

December 31, 2025 and 2024

Note 2 – Investment in The Apache Railroad Company, LLC

In 2015, the Company and the Corporation made a combined initial cash investment of \$2,500,000 in ARC, with the Company's contribution representing 22.5% of the investment. In 2017, the Company and the Corporation made a combined capital contribution to ARC of \$1,250,000. ARC, in turn, contributed the proceeds to the Railway to reduce the principal balance of the Railway's \$2,500,000 in third-party loans by a like amount, which were paid in full during 2024. The Company has no commitments or contingent obligations related to ARC as of December 31, 2025 and 2024.

Note 3 – Operating Leases (as Lessor)

Renewable energy leases:

The Corporation and the Company have entered into multiple solar and wind leases. The leases have development and construction term lengths of five to eight years, and operations term lengths of 25 to 35 years. During the development and construction term for all leases, the lessee may cancel at any time but without refund of prior payments.

In 2024, one existing wind project commenced its construction term. The wind project is located partially on land owned by the Corporation and partially on land owned by the Company. Also in 2024, one existing solar project, located all on land owned by the Company, commenced its operations term.

In 2025, one new solar project entered into its development term and one existing solar project, located partially on land owned by the Corporation and partially on land owned by the Company, commenced its 30-year operations term (with options to extend the term for two additional periods of six years each). Leases in their operations term are terminable by the lessee at any time, subject to the payment of a termination fee. The remainder of the renewable energy leases remain in their development and construction terms.

Note 4 – Notes Payable, Related Parties

In 2009, the Company purchased 6,443 acres of land from the Corporation through its subsidiary, Despain, LLC. The Company paid cash at closing and executed a promissory note. The note accrued interest at 4.25% and was scheduled to mature in December 2034. The note had a balance of \$1,116,369 on December 31, 2024 and was paid off in June 2025. During 2025 and 2024, the Company paid \$25,738 and \$43,589 of interest expense, respectively.

In 2011, the Company purchased the entire membership interest in East Jeffers, LLC from the Corporation. The Company paid cash at closing and executed a promissory note. The note accrues interest at 3%, matures in October 2031, and is secured by 100% of the membership interest in East Jeffers, LLC. The note had a balance of \$1,277,849 and \$1,385,500 as of December 31, 2025 and 2024, respectively. In 2025 and 2024, the Company paid \$30,242 and \$38,141 of interest expense, respectively. The Company may prepay the note without penalty.

Note 5 – Risks and Concentrations

Credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At times throughout the year, the Company's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Aztec Land Company, LLC and Subsidiaries

Notes to Consolidated Financial Statements – Income Tax Basis

December 31, 2025 and 2024

Note 5 – Risks and Concentrations (Continued)

Customers and revenue concentrations:

Total revenues for the years ended December 31, 2025 and 2024 included leases that generated 10% or more of the Company's revenue. Three leases produced 93% of total revenues for the year ended December 31, 2025. Two leases produced 69% of total revenues for the year ended December 31, 2024.

During the years ended December 31, 2025 and 2024, 96% and 98% of total revenues collected were provided by the renewable energy leases described in *Note 3*.

Note 6 – Contingencies

The Company's groundwater rights have been subject to pending litigation for over 40 years. The case is *In Re the General Adjudication of All Rights to Use Water in the Little Colorado River System and Source*, Case No. CV-6417. The litigation involves a determination of the relative rights of water users in the Little Colorado River basin. The more significant issues in the litigation involve Native American claims of water rights, primarily those of the Hopi and Navajo Tribes (the "Tribes") and the United States of America on behalf of the Tribes. All water rights claims in the Little Colorado River basin are subject to this adjudication. The adjudication is an extremely complex matter and involves thousands of parties.

In 2024, the primary parties in the litigation, excepting the United States of America, entered into a settlement agreement (the "Settlement Agreement") resolving the litigation as to claims of the Tribes and the United States of America on behalf of the Tribes. The enforceability of the Settlement Agreement is subject to, among other things, the enactment of Federal legislation authorizing and funding its terms. The United States of America has withheld its approval of the Settlement Agreement pending enactment of the legislation, which Congress has yet to pass.

Even if the Settlement Agreement is approved and funded, management expects this adjudication to continue for a substantial period, if only to adjudicate non-Tribal claims. No monetary damages are being claimed by any party. The Company is responding to this litigation through active participation in the adjudication's numerous legal and settlement proceedings and through its financial support of the Little Colorado Water Conservation District ("LCWCD"), which itself is involved in the litigation for the same reasons.

In managing the litigation and attempting to control costs, the Company and LCWCD entered into a joint defense agreement with several northern Arizona municipalities, irrigation districts, and water companies with similar, if not identical, legal interests. Because the Corporation and the Company own the majority of land within LCWCD's service area, they together pay 85% of the expenses allocated to LCWCD via the joint defense agreement. The 15% balance is borne by an unrelated third party and the Railway, both of which receive water deliveries from LCWCD. Litigation costs are expected to be significant beyond 2025, depending on, among other factors, the disposition of the Settlement Agreement.

Assessments by LCWCD to the Company for LCWCD's base costs (meaning those which do not vary with water usage), which arose from fixed costs associated with LCWCD's plant, equipment, and accumulation of cash for future costs of the litigation, appear on the consolidated statements of revenues, expenses, and members' equity – income tax basis as district base costs.