

Limoneira CO  
Form 10-K  
January 14, 2014

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the fiscal year ended October 31, 2013**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission file number: 001-34755**

**Limoneira Company**

(Exact name of registrant as specified in its charter)

**Delaware**                      **77-0260692**

(State of incorporation) (I.R.S. Employer Identification No.)

**1141 Cummings Road, Santa Paula, CA 93060**  
(Address of principal executive offices)      (Zip code)

**Registrant's telephone number, including area code: (805) 525-5541**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name Of Each Exchange On Which Registered</b>
<b>Common Stock, \$0.01 par value</b>	<b>The NASDAQ Stock Market, LLC</b>

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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(Do not check if a smaller reporting company)

Indicate by check mark if whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Based on the closing price as reported on the NASDAQ Global Market, the aggregate market value of the Registrant's Common Stock held by non-affiliates on April 30, 2013 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$220.1 million. Shares of Common Stock held by each executive officer and director and by each stockholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of December 31, 2013 was 14,036,803.

**Documents Incorporated by Reference**

Portions of the Registrant's Proxy Statement for the 2014 Annual Meeting of Stockholders, which we intend to hold on March 24, 2014, are incorporated by reference into Part III of this Form 10-K. The definitive Proxy Statement will be filed within 120 days after October 31, 2013.

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## CAUTIONARY STATEMENT

This annual report on Form 10-K (this "Annual Report") contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words "may," "will," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management's beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Annual Report include:

- changes in laws, regulations, rules, quotas, tariffs and import laws;
- weather conditions, including freezes and rains, that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest and currency exchange rates;
- availability of financing for development activities;

· general economic conditions for residential and commercial real estate development;

· political changes and economic crises;

· international conflict;

· acts of terrorism;

· labor disruptions, strikes or work stoppages;

· loss of important intellectual property rights; and

· other factors disclosed in this Annual Report.

In addition, this Annual Report contains industry data related to our business and the markets in which we operate. This data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results could differ from the projections. We urge you to carefully review this Annual Report, particularly the section “Risk Factors,” for a complete discussion of the risks of an investment in our common stock.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this Annual Report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Annual Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**All references to “we,” “us,” “our,” “our Company,” “the Company,” or “Limoneira” in this Annual Report mean Limoneira Company, a Delaware corporation, and its wholly-owned subsidiaries.**

## **PART I**

### **Item 1. Business**

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. Our business and operations are described below. For detailed financial information with respect to our business and our operations, see our consolidated financial statements and the related notes to consolidated financial statements, which are included in Item 8 in this Annual Report. In addition, general information concerning our Company can be found on our website, the internet address of which is [www.limoneira.com](http://www.limoneira.com). All of our filings with the Securities and Exchange Commission (the “SEC”), including but not limited to, the annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, are available free of charge on our website as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

#### **Overview**

We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 10,600 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, real estate development and capital investment activities.

We are one of California’s oldest citrus growers. According to Sunkist Growers, Inc. (“Sunkist”), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare Counties in California and in Yuma County in Arizona, which plantings consist of approximately 3,900 acres of lemons, 1,200 acres of avocados, 1,500 acres of oranges and 800 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process, pack and sell lemons that we grow as well as lemons grown by others.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore, Santa Barbara and Paso Robles Basins (aquifers). We use ground water and water from local water districts in Tulare County, which is in the San Joaquin Valley. Following our acquisition of Associated Citrus Packers, Inc. (“Associated”) we began using ground water in Arizona from the Colorado River through the Yuma Mesa



Irrigation and Drainage District.

For more than 100 years, we have been making strategic investments in California agricultural and development real estate. As of the date of this Annual Report, we have five active real estate development projects in California. These projects include multi-family housing and single-family homes comprising approximately 200 completed units and another approximately 1,700 units in various stages of planning and entitlement.

### **Fiscal Year 2013 Highlights and Recent Developments**

In February 2013, our East Area 1 real estate development project was annexed into the City of Santa Paula. The annexation enables us to proceed with our master planned community project consisting of up to 1,500 residential units, 210,000 square feet of commercial space and 350,000 square feet of light industrial space. Annexation into the City of Santa Paula was required in order to re-zone the land for residential, commercial and light industrial development. We have begun tract mapping of the area for development and will be applying for infrastructure building permits. Our goal is to break ground on the project and begin selling homes in the next 12 to 18 months, subject to general business, market and economic conditions. In May 2013, the Ventura Local Area Formation Commission unanimously approved the annexation of our East Area 2 real estate development project into the City of Santa Paula. The annexation was recorded during August 2013.

During February 2013, we completed the sale of 2,070,000 shares of common stock, at a price of \$18.50 per share, to institutional and other investors in a registered offering under our shelf registration statement. The offering represented 16% of our outstanding common stock on an after-issued basis. Upon completion of the offering and issuance of common stock, we had 13,307,085 shares of common stock outstanding. The gross proceeds of the offering totaled \$38,295,000 and after an underwriting discount of \$2,106,000 and other offering expenses of \$292,000, the net proceeds were \$35,897,000. During February 2013, we used the net offering proceeds to repay long-term debt.

In April 2013, we purchased land for use as a citrus orchard for a purchase price of \$375,000 cash, which included approximately 25 acres of agricultural property located adjacent to the Sheldon Ranch in the city of Lindsay, California. We accounted for this acquisition as an asset purchase with substantially the entire purchase price allocated to land.

On April 8, 2013, we, through our investment in HM East Ridge, LLC, entered into a Purchase and Sale Agreement to sell the East Ridge parcel of property for \$6,000,000. The property is located in the city of Santa Maria, County of Santa Barbara, California and includes approximately 40 acres of land. The transaction closed in June 2013 and generated net proceeds of \$5,713,000. We recognized a loss on our investment in HM East Ridge, LLC of \$1,754,000, which is included in equity in (losses) earnings of investments in the accompanying consolidated statements of operations. During July 2013, we used the net sale proceeds to repay long-term debt.

On April 11, 2013, we sold 165,000 shares of Calavo Growers, Inc. (“Calavo”) common stock at a price of \$29.02 per share (the closing price on April 10, 2013). Calavo repurchased the shares pursuant to a Stock Purchase Agreement we entered into with Calavo in 2005. Following this sale of shares of Calavo common stock, we continue to own 500,000 shares of Calavo common stock. The net proceeds from the sale were \$4,788,000, resulting in a gain of \$3,138,000. We used the sale proceeds to repay our long-term debt.

In June 2013, we announced a plan to build 71 agriculture workforce housing units in Santa Paula, California, that will be available for rent to local agriculture workers and Limoneira employees. We estimate that the total cost of the development will be approximately \$8.5 million and will be completed and available for rent during 2014. When fully occupied, annual rental revenue from the additional housing units is anticipated to be approximately \$850,000 to \$900,000.

On July 1, 2013, we entered into a Lease Agreement with Cadiz, Inc. (“Cadiz”) to develop lemon orchards on Cadiz’s agricultural property in eastern San Bernardino County, California (the “Cadiz Ranch”). Under the terms of the Lease Agreement, we have the right to lease and plant up to 1,280 acres of lemons over the next five years at the Cadiz Ranch operations in the Cadiz Valley and have leased 320 acres initially, subject to a mutually agreed upon planting schedule. The Lease Agreement provides options to lease and plant up to 960 additional acres (320 acres in Option 1 and 640 acres in Option 2) by 2018. The annual rental payment will include a base rent of \$200 per planted acre and a

lease payment equal to 20% of net cash flow from the harvested crops grown on Cadiz property. Pursuant to the terms of the Lease Agreement, the annual rental payment will not exceed a total of \$1,200 per acre.

On September 6, 2013 we acquired Associated, a privately owned Arizona corporation, for approximately \$18.6 million. The purchase price consisted of the issuance of 705,000 unregistered shares of our common stock with an aggregate value of \$16.0 million, based on our stock price on the acquisition date, \$1.0 million in cash and the repayment of \$1.6 million in Associated's long term debt. The acquisition was structured as a tax-free reorganization under section 368 of the Internal Revenue Code. The acquisition provides for a potential purchase price adjustment based on the net assets acquired and for a holdback from payment of 5% (\$850,000) of the stock and cash purchase price for a period of one year in support of potential indemnification claims as defined in the merger agreement. Upon completion of the acquisition, Associated became a wholly owned subsidiary of our Company. Associated owns approximately 1,300 acres of property in Yuma, Arizona, comprised of 950 acres of productive lemon orchards and 350 acres of other crops, as well as agriculture equipment and facilities. Transaction costs incurred in connection with the acquisition were approximately \$270,000, which are included in selling, general and administrative expense. The results of operations of Associated are included in our consolidated results from operations from the acquisition date.

On October 11, 2013, we completed the acquisition of approximately 760 acres of land in the town of Porterville in Tulare County, California (“Lemons 400”) for \$8,750,000 cash. This property consists of approximately 400 acres of productive lemon orchards and 360 acres primarily utilized for cattle grazing. The acquisition also included water assets and agricultural equipment and supplies.

On November 29, 2013 we entered into Purchase and Sale agreements to sell our Sevilla and Pacific Crest real estate development properties located in Santa Maria, California. Both properties are being sold to the same buyer and the combined selling price of the two properties is \$8,300,000. Upon the execution of the purchase and sale agreements, the buyer deposited \$500,000 into escrow. The buyer will issue a note receivable for each property at the close of the 90-day escrow period for the combined amount of \$7,800,000. The notes are due on the earlier of the approval of the properties' tract maps by the City of Santa Maria or October 24, 2014. We will collect 5% interest on the notes. Upon full payment of the notes receivable, the Company expects to receive \$8,100,000 net cash in addition to interest earned on the notes. The Company continues to own its Centennial property in Santa Maria.

In December 2013 we entered into a construction contract that includes design and construction services for the expansion of the Company’s lemon packing facilities. The project is expected to increase the capacity and efficiency our packing facilities. The contract is subject to a guaranteed maximum price of approximately \$9,300,000, which may be revised based on design modifications and finalization of construction costs. The project is expected to commence in March 2014 and be substantially complete in the spring of 2015.

For the year ended October 31, 2013, we declared dividends to our common shareholders totaling \$0.15 per share in the aggregate amount of \$1,944,000 compared to \$0.13125 per share in the aggregate amount of \$1,470,000 for fiscal year 2012. On December 17, 2013, we declared a \$0.0375 per share dividend to be paid on January 15, 2014 in the aggregate amount of \$526,000 to common shareholders of record on December 30, 2013.

## **Business Segments**

We have three business segments: agribusiness, rental operations, and real estate development. The agribusiness segment includes our farming and lemon packing and sales operations. The rental operations segment includes our residential and commercial rentals, leased land operations and organic recycling. The real estate development segment includes our real estate projects and development. Financial information and further discussion of these segments are contained in Note 23 to the accompanying consolidated financial statements of this Annual Report.

### **Agribusiness**

Our agribusiness segment includes our farming and lemon packing and sales operations. The agribusiness segment represented approximately 94%, 93% and 88% of our fiscal year 2013, 2012 and 2011 consolidated revenues, respectively.

### ***Farming***

We are one of California's oldest citrus growers and one of the largest growers of lemons and avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare Counties in California and Yuma County in Arizona, which collectively consist of approximately 3,900 acres of lemons, 1,200 acres of avocados, 1,500 acres of oranges and 800 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process, pack and sell lemons we grow as well as lemons grown by others.

*Lemons.* We market and sell lemons directly to food service, wholesale and retail customers throughout the United States, Canada, Asia, Australia and certain other international markets. We are one of the largest lemon growers in the United States with approximately 3,900 acres of lemons planted throughout Ventura County, California, Tulare County in the San Joaquin Valley in Central California and in Yuma County, Arizona. In California, the lemon growing area stretches from the Coachella Valley to Fresno and Monterey Counties, with the majority of the growing areas being located in the coastal areas from Ventura County to Monterey County. Ventura County is California's top lemon producing county. Approximately 50% of our lemons are grown in Ventura County, approximately 40% are grown in Tulare County in Central California's San Joaquin Valley and approximately 10% are grown in Yuma County, Arizona.

There are over fifty varieties of lemons, with the Lisbon, Eureka and Genoa being the predominant varieties marketed on a worldwide basis. California grown lemons are available 12 months of the year, with peak production periods occurring from January through August. Approximately 90% of our lemon plantings are of the Lisbon and Eureka varieties and approximately 10% are of other varieties such as sweet Meyer lemons, proprietary seedless lemons and pink variegated lemons. The storage life of fresh lemons is limited and generally ranges from one to 18 weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

With an average annual production of approximately 750,000 tons of lemons, California accounts for approximately 90% of the United States lemon crop, with Arizona producing a vast majority of the rest. Between 50% and 70% percent of the United States lemon crop is utilized in the fresh market, with the remainder going to the processed market for products such as juice, oils and essences. Most lemons are consumed as either a cooking ingredient, a garnish, or as juice in lemonade or other carbonated beverages or drinks. Demand for lemons is typically highest in the summer, although California producers through various geographical zones are typically able to harvest lemons year round.

*Avocados.* We are one of the largest avocado growers in the United States with approximately 1,200 acres of avocados planted throughout Ventura County. In California, the growing area stretches from San Diego County to Monterey County, with the majority of the growing areas located approximately 100 miles north and south of Los Angeles County.

Over the last 70 years, the avocado has transitioned from a single specialty fruit to an array of 10 varieties ranging from the green-skinned Zutanos to the black-skinned Hass, which is the predominant avocado variety marketed on a worldwide basis. California grown avocados are available year round, with peak production periods occurring between February and September. Other avocado varieties have a more limited picking season and typically command a lower price. Because of superior eating quality, the Hass avocado has contributed greatly to the avocado's growing popularity through its retail, restaurant and other food service uses. Approximately 98% of our avocado plantings are of the Hass variety. The storage life of fresh avocados is limited and generally ranges from one to four weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

We provide all of our avocado production to Calavo Growers, Inc. ("Calavo"), a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. Our marketing relationship with Calavo dates back to 2003. Calavo receives fruit from our orchards at its packinghouse located in Santa Paula, California. Calavo's proximity to our agricultural operations enables us to keep transportation and handling costs to a minimum. Our avocados are packed by Calavo and sold and distributed under its own brands to its customers primarily in the United States and Canada.

Primarily due to differing soil conditions, the care of avocado trees is intensive and during our 70-year history of growing avocados, growing techniques have changed dramatically. The need for more production per acre to compete with foreign sources of supply has required us to take an important lead in the practice of dense planting (typically four times the number of avocado trees per acre versus traditional avocado plantings) and mulching composition to help trees acclimate under conditions that more closely resemble those found in the tropics, a better climate for avocado growth.

*Oranges.* While we are primarily known for our high quality lemons, we also grow oranges. We have approximately 1,500 acres of oranges planted throughout Tulare County in the San Joaquin Valley in Central California. In California, the growing area for oranges stretches from Imperial County to Yolo County.

For many decades, the Valencia variety of oranges was grown in Ventura County primarily for export to the Pacific Rim. Throughout the late 20th century, developing countries began producing the larger, seedless Navel variety of oranges that successfully competed against the smaller Valencia variety. California grown Navel oranges are available from October to June, with peak production periods occurring between January and April. California grown Valencia oranges are available from March to October, with peak production periods occurring between June and September. Approximately 95% of our orange plantings are of the Navel variety and approximately 5% are of the Valencia variety.

Navel oranges comprise most of California's orange crop, accounting for approximately 75% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder of California's orange crop. While California produces approximately 25% of the nation's oranges, its crop accounts for approximately 80% of those going to the fresh market. The share of California's crop going to fresh market, as opposed to the processed market (i.e. juices, oils and essences) varies by season, depending on the quality of the crop.

We utilize Sunkist to market and sell a portion of our oranges under the Sunkist brand to food service wholesale and retail customers. As an agricultural cooperative, Sunkist coordinates the sales and marketing of our oranges and orders are processed by third-party packinghouses for direct shipment to customers. We typically partner with third-party packinghouses to process and ship our oranges. We estimate approximately 70% of our oranges are sold to retail customers and approximately 30% are sold to wholesale customers.

*Specialty Citrus and Other Crops.* A few decades ago we began growing specialty citrus varieties and other crops that we believed would appeal to changing North American and worldwide demand. As a result, we currently have approximately 800 acres of specialty citrus and other crops planted such as Satsuma mandarin oranges, Moro blood oranges, Cara Cara oranges, Minneola tangelos, Star Ruby grapefruit, pummelos, pistachios, cherries, peaches, plums and olives.

Acreage devoted to specialty citrus and other crops in California has been growing significantly over the past few decades, especially with the popularity of the Clementine, a type of mandarin orange. We grow Satsumas, a type of mandarin orange similar to Clementine mandarin oranges. A portion of our specialty citrus is marketed and sold under the Sunkist brand by Sunkist and packed and shipped to major retail operations in the United States through arrangements with other packinghouses similar to our oranges.

We market our other specialty crops, such as pistachios, cherries, peaches, plums and olives independently. All of our pistachios are harvested and sold to an independent roaster, packager and marketer of nuts. Our cherries, peaches, plums and olives are harvested and sold to third-party packers and shippers.

We have agricultural plantings on properties located throughout Ventura and Tulare Counties in California and in Yuma, Arizona. The following is a description of our agriculture properties:

Ranch Name	County / State	Total Acres	Lemons	Avocados	Oranges	Specialty Crops	Other
Limoneira/Olivelands	Ventura, CA	1,700	700	500	-	-	500
Orchard Farm	Ventura, CA	1,100	400	-	-	-	700
Teague McKeveatt	Ventura, CA	500	200	200	-	-	100
La Campana	Ventura, CA	300	100	200	-	-	-
Rancho La Cuesta	Ventura, CA	200	100	-	-	-	100
Limco Del Mar	Ventura, CA	200	100	100	-	-	-
Porterville Ranches	Tulare, CA	1,200	400	-	400	200	200
Ducor Ranches	Tulare, CA	1,000	300	-	400	300	-
Sheldon	Tulare, CA	1,000	100	-	600	300	-
Lemons 400	Tulare, CA	800	400	-	-	-	400
Cadiz	San Bernardino, CA	300	200	-	-	-	100
Associated Citrus Packers	Yuma, AZ	1,300	900	-	-	-	400
Other agribusiness land	Ventura, CA	1,000	-	200	100	-	700
<b>Total</b>		<b>10,600</b>	<b>3,900</b>	<b>1,200</b>	<b>1,500</b>	<b>800</b>	<b>3,200</b>
Percentage of Total		100	% 37	% 11	% 14	% 8	% 30

The *Limoneira/Olivelands Ranch* is the original site of our Company. Our headquarters, lemon packing operations and storage facilities are located on this property.



The *Teague McKeveitt Ranch* is the site of our real estate development project known as East Area 1 and described below under the heading “Real Estate Development.”

*Limco Del Mar* is owned by a limited partnership of which we are the general partner and own an interest of 23.4%, which is comprised of a 1.3% general partner interest and a 22.1% limited partner interest.

We manage the farming operations of the *Sheldon Ranch* under an operating lease arrangement.

We manage the farming operations of the *Cadiz Ranch* under an operating lease arrangement.

The other properties in the table above include corporate and lemon packing facilities, leased agricultural land, rental units, roads, creeks, hillsides and other open land.

Our orchards can maintain production for many years. For financial reporting purposes, we depreciate our orchards from 20 to 40 years depending on the fruit variety with the majority of our orchards depreciated over 20 to 30 years. We regularly evaluate our orchards’ production and growing costs, and based on these and other factors we may decide to redevelop certain orchards. In addition, we may acquire agricultural property with existing productive orchards or without productive orchards, which would require new orchard plantings. The fruit varieties that we grow typically are non-producing for approximately the first four years after planting. Orchards may continue producing fruit longer than their depreciable lives.

The following table presents the number of acres planted by fruit variety and by year of planting:

County, State, Fruit Variety	Acres Planted by Year			Total
	0-4 Years	5-25 Years	Over 25 Years	
Ventura , CA				
Lemons	300	700	700	1,700
Avocados	100	700	400	1,200
Total Ventura , CA	400	1,400	1,100	2,900
Tulare / CA				
Lemons	500	100	500	1,100
Oranges	100	600	800	1,500
Specialty	100	500	200	800
Total Tulare, CA	700	1,200	1,500	3,400
San Bernardino, CA				
Lemons	200	-	-	200
Total San Bernardino, CA	200	-	-	200
Yuma, AZ				
Lemons	100	800	-	900
Total Yuma, AZ	100	800	-	900
Total	1,400	3,400	2,600	7,400
Percentage of Total	19 %	46 %	35 %	100 %

### ***Lemon Packing and Sales***

We are the oldest continuous lemon packing operation in North America. We pack and sell lemons grown by us as well as lemons grown by others. Lemons delivered to our packinghouse in Santa Paula, California are graded, sized, packed, and cooled and ripened for delivery to customers. Our ability to accurately estimate the size, grade and timing of the delivery of the annual lemon crop has a substantial impact on both our costs and the sales price we receive for the fruit.