FIRST PACTRUST BANCORP INC
Form DEF 14A
March 17, 2008
Table of Contents

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

FIRST PACTRUST BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

March 17, 2008

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of First PacTrust Bancorp, Inc., we cordially invite you to attend the Annual Meeting of Shareholders of the Company. The meeting will be held at 9:00 a.m., local time, on April 16, 2008 at the Bonita Golf Club, located at 5540 Sweetwater Road, Bonita, California. The Annual Meeting will include management s report to you on the Company s 2007 financial and operating performance.

An important aspect of the Annual Meeting process is the shareholder vote on corporate business items. I urge you to exercise your rights as a shareholder to vote and participate in this process. Shareholders are being asked to consider and vote upon the election of two directors of the Company.

Whether or not you plan to attend the Annual Meeting, please read the enclosed proxy statement and then complete, sign and date the enclosed proxy card and return it in the accompanying postpaid return envelope as promptly as possible. This will save the Company additional expense in soliciting proxies and will ensure that your shares are represented at the meeting.

Your Board of Directors and management are committed to the success of the Company and the enhancement of the value of your investment. As President, I want to express my appreciation for your confidence and support.

Very truly yours,

Hans R. Ganz

Chief Executive Officer

Table of Contents

FIRST PACTRUST BANCORP, INC.

610 Bay Boulevard

Chula Vista, California 91910

(619) 691-1519

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 16, 2008

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of First PacTrust Bancorp, Inc. will be held as follows:

TIME	9:00 a.m. local time
DATE	April 16, 2008
PLACE	5540 Sweetwater Road, Bonita, California
ITEMS OF BUSINESS	(1) To elect two directors, each for a term of three years. (2) To transact any other business that may properly come before the meeting and any adjournment or postponement of the meeting.
RECORD DATE	Holders of record of the Company s common stock at the close of business on March 7, 2008 will be entitled to vote at the meeting or any adjournment of the meeting.
ANNUAL REPORT	The Company s Annual Report to Shareholders is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the enclosed proxy card. **Regardless of the number of shares you own, your vote is very important. Please act today.**

BY ORDER OF THE BOARD OF DIRECTORS
HANS R. GANZ

Chief Executive Officer

Chula Vista, California

March 17, 2008

Table of Contents

FIRST PACTRUST BANCORP, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

APRIL 16, 2008

TABLE OF CONTENTS

	PAGE
INTRODUCTION	3
INFORMATION ABOUT THE ANNUAL MEETING	3
What is the purpose of the annual meeting?	3
Who is entitled to vote?	4
What if my shares are held in street name by a broker?	4
What if my shares are held in the Company s Employee Stock Ownership Plan?	4
How many shares must be present to hold the meeting?	4
What if a quorum is not present at the meeting?	4
How do I vote?	4
Can I change my vote after I submit my proxy?	5
How does the Board of Directors recommend I vote on the proposals?	5
What if I do not specify how my shares are to be voted?	5
Will any other business be conducted at the meeting?	5
How many votes are required to elect the director nominees?	5
What happens if a nominee is unable to stand for election?	5
How will abstentions be treated?	5
How will broker non-votes be treated?	5
STOCK OWNERSHIP	6
Stock Ownership of Significant Shareholders, Directors and Executive Officers	6
Section 16(a) Beneficial Ownership Reporting Compliance	8
PROPOSAL 1 ELECTION OF DIRECTORS	8
General	8
Nominees	8
BOARD OF DIRECTORS MEETINGS AND COMMITTEE AND CORPORATE GOVERNANCE MATTERS	10
Board Meetings, Independence and Ethics Code	10
Board Committee Attendance and Charters	10
Executive Committee	10
Audit Committee	10
Nominating Committee	11
Compensation Committee	12

Compensation Committee Interlocks and Insider Participation	12
REPORT OF THE COMPENSATION COMMITTEE	13
COMPENSATION OF EXECUTIVE OFFICERS	14
Compensation Discussion and Analysis	14
Overview	14
SUMMARY COMPENSATION TABLE	16

1

Table of Contents

	PAGE
COMPONENTS OF EXECUTIVE COMPENSATION	16
2003 Recognition and Retention Plan and 2003 Stock Option and Incentive Plan	18
OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007	20
OPTIONS EXERCISES AND STOCK VESTED	20
Other Tax Considerations and Accounting Considerations	21
Post-Employment Compensation	21
PREDECESSOR DEFERRED COMPENSATION PLAN AT DECEMBER 31, 2007	21
Potential Termination and Change-in-Control Payments	21
POTENTIAL PAYMENTS UNDER RETENTION AGREEMENTS	23
DIRECTOR COMPENSATION	24
Overview of Director Compensation and Procedures	24
Business Relationships and Transactions with Executive Officers, Directors and Related Persons	25
Report of the Audit Committee	25
Registered Public Accounting Firm	26
OTHER MATTERS	27
ADDITIONAL INFORMATION	27
Proxy Solicitation Costs	27
Shareholder Proposals for Annual Meeting for Year Ending December 31, 2008	27

Table of Contents

FIRST PACTRUST BANCORP, INC.

610 Bay Boulevard

Chula Vista, California 91910

(619) 691-1519

PROXY STATEMENT

INTRODUCTION

The Board of Directors of First PacTrust Bancorp, Inc. is using this proxy statement to solicit proxies from the holders of the Company s common stock for use at the upcoming Annual Meeting of Shareholders. The meeting will be held on April 16, 2008 at 9:00 a.m., local time, at the Bonita Golf Club, located at 5540 Sweetwater Road, Bonita, California. At the meeting, shareholders will be asked to vote on one proposal: the election of two directors of the Company, each to serve for a term of three years. This proposal is described in more detail below. Shareholders also will consider any other matters that may properly come before the meeting, although the Board of Directors knows of no other business to be presented. Some of the information in this proxy statement relates to Pacific Trust Bank, a wholly owned subsidiary of the Company. Pacific Trust Bank may be referred to from time to time in this proxy statement as the Bank.

By submitting your proxy, you authorize the Company s Board of Directors to represent you and vote your shares at the meeting in accordance with your instructions. The Board also may vote your shares to adjourn the meeting from time to time and will be authorized to vote your shares at any adjournments or postponements of the meeting.

The Company s Annual Report to Shareholders for the fiscal year ended December 31, 2007, which includes the Company s audited financial statements, is enclosed. Although the Annual Report is being mailed to shareholders with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated into this proxy statement by reference.

This proxy statement and the accompanying materials are being mailed to shareholders on or about March 17, 2008.

Your vote is important. Whether or not you plan to attend the meeting, please submit your proxy promptly in the enclosed envelope.

INFORMATION ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, shareholders will be asked to vote on the following proposal:

Proposal 1. Election of two directors of the Company, each for a term of three years.

The shareholders also will act on any other business that may properly come before the meeting. Members of our management team will be present at the meeting to respond to your questions.

Table of Contents

Who is entitled to vote?

The record date for the meeting is March 7, 2008. Only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting. The only class of stock entitled to be voted at the meeting is the Company s common stock. Each outstanding share of common stock is entitled to one vote on each matter presented at the meeting. At the close of business on the record date, there were 4,372,238 shares of common stock outstanding.

What if my shares are held in street name by a broker?

If your shares are held in street name by a broker, your broker is required to vote your shares in accordance with your instructions. If you do not give instructions to your broker, your broker will nevertheless be entitled to vote your shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items. In the case of non-discretionary items, your shares will be treated as broker non-votes. Whether an item is discretionary is determined by the exchange rules governing your broker. The only proposal described in this proxy statement is considered a discretionary item under the Nasdaq Stock Market rules.

What if my shares are held in the Company s Employee Stock Ownership Plan?

If you are a participant in the Company s Employee Stock Ownership Plan, the plan trustee is required to vote the shares allocated to your account under the plan in accordance with your instructions. If you do not instruct the trustee how to vote your allocated shares, the trustee may vote your allocated shares in its sole discretion. The trustee must vote the unallocated shares in the same proportion as it is instructed to vote the allocated shares. For example, if on a particular proposal the trustee was instructed to vote 60% of the allocated shares FOR, 35% of the allocated shares AGAINST and 5% of the allocated shares ABSTAIN, the trustee would vote 60% of the unallocated shares FOR, 35% of the unallocated shares AGAINST and 5% of the unallocated shares ABSTAIN.

How many shares must be present to hold the meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of at least one-third of the shares of common stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a quorum is not present at the meeting?

If a quorum is not present at the scheduled time of the meeting, the shareholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken. An adjournment will have no effect on the business that may be conducted at the meeting.

How do I vote?

1. ***You may vote by mail.*** If you properly complete and sign the accompanying proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions.

2. ***You may vote in person at the meeting.*** If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. Note, however, that if your shares are held in the name of your broker, bank or other nominee, you will need to obtain a proxy from the holder of your shares indicating that you were the beneficial owner of those shares on March 7, 2008, the record date for voting at the meeting. You are encouraged to vote by proxy prior to the meeting even if you plan to attend the meeting.

Table of Contents

Can I change my vote after I submit my proxy?

Yes, you may revoke your proxy and change your vote at any time before the polls close at the meeting by:

signing another proxy with a later date;

giving written notice of the revocation of your proxy to the Company s Secretary prior to the annual meeting; or

voting in person at the annual meeting. Your proxy will not be automatically revoked by your mere attendance at the meeting; you must actually vote at the meeting to revoke a prior proxy.

How does the Board of Directors recommend I vote on the proposals?

Your Board of Directors recommends that you vote:

FOR the election of the two director nominees to the Board of Directors.

What if I do not specify how my shares are to be voted?

If you submit an executed proxy but do not indicate any voting instructions, your shares will be voted:

FOR the election of the two director nominees to the Board of Directors.

Will any other business be conducted at the meeting?

The Board of Directors knows of no other business that will be presented at the meeting. If, however, any other proposal properly comes before the shareholders for a vote at the meeting, the Board of Directors, as holder of your proxy, will vote your shares in accordance with its best judgment.

How many votes are required to elect the director nominees?

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the nominees as directors. This means that the two director nominees will be elected if they receive more affirmative votes than any other persons nominated for election. No persons have been nominated for election other than the two nominees named in this proxy statement. If you vote Withheld with respect to the election of one or more nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.

What happens if a nominee is unable to stand for election?

If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the Board of Directors, as holder of your proxy, will vote your shares for the substitute nominee unless you have withheld authority to vote for the nominee replaced.

How will abstentions be treated?

If you abstain from voting, your shares will still be included for purposes of determining whether a quorum is present. Because directors will be elected by a plurality of the votes cast, abstaining is not offered as a voting option for Proposal 1.

How will broker non-votes be treated?

Shares treated as broker non-votes on one or more proposals will be included for purposes of calculating the presence of a quorum but will not be counted as votes cast. Consequently, broker non-votes will have no effect on Proposal 1. If, as expected, Proposal 1 is considered a discretionary item, there will be no broker non-votes on this proposal.

Table of Contents

STOCK OWNERSHIP

Stock Ownership of Significant Shareholders, Directors and Executive Officers

The following table shows, as of March 7, 2008, the beneficial ownership of the Company s common stock by:

- any persons or entities known by management to beneficially own more than five percent of the outstanding shares of Company common stock;
- each director and director nominee of the Company;
- each executive officer of the Company and the Bank named in the Summary Compensation Table appearing below; and
- all of the executive officers and directors of the Company and the Bank as a group.

The address of each of the beneficial owners, except where otherwise indicated, is the same address as the Company s. As of March 7, 2008, there were 4,372,238 shares of Company common stock issued and outstanding.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options held by that person that are currently exercisable or exercisable within 60 days after March 7, 2008 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Table of Contents

Name of Beneficial Owner	Beneficial Ownership	Percent of Common Stock Outstanding
Significant Shareholders		
Investors of America Limited Partnership First Capital America, Inc. James F. Dierberg, Trustee of the James F. Dierberg Living Trust James F. Dierberg II 135 North Meramec Clayton, Missouri 63105(1)	437,980	10.0%
First Manhattan Co. 437 Madison Avenue New York, NY 10022(2)	275,549	6.3%
Seymour Holtzman Evelyn Holtzman Jewelcor Management, Inc. S.H. Holdings, Inc. Jewelcor Inc. Holtzman Opportunity Fund, L.P. SH Independence LLC Holtzman Financial Advisors, LLC Jewelcor Investments, LLC c/o Jewelcor Companies 100 N. Wilkes Barre Blvd. Wilkes Barre, PA 18702(3)	303,493	6.9%
First PacTrust Bancorp, Inc. 401(k) Employee Stock Ownership Plan 610 Bay Boulevard Chula Vista, CA 91910(4)	442,967	10.1%
Directors and Named Executive Officers(5)		
Alvin L. Majors, Chairman of the Board	81,406	1.9%

Hans R. Ganz, President, Chief Executive Officer and Director	237,852	5.3%
Francis P. Burke, Director	77,406	1.8%
Kenneth W. Scholz, Director	77,406	1.8%
Donald M. Purdy, Director	76,666	1.7%
Donald A. Whitacre, Director	69,500	1.6%
James P. Sheehy, Executive Vice President, Secretary and Treasurer	82,687	1.9%
Melanie M. Stewart, Executive Vice President, Lending	104,253	2.4%
Regan J. Lauer, Senior Vice President, Controller	44,613	1.0%
Lisa R. Goodwin, Senior Vice President Information Services	53,692	1.2%
Rachel M. Carrillo, Senior Vice President Branch Operations	49,813	1.1%
Directors and executive officers of First PacTrust Bancorp, Inc. as a group (11 persons)(6)	955,294	20.0%

---

(1) As reported by Investors of America Limited Partnership, First Capital America, Inc., James F. Dierberg, Trustee, and James F. Dierberg II in an amendment to Schedule 13D dated January 22, 2008. Investors of America Limited Partnership reported sole voting and investment power over 122,000 shares. First Capital America, Inc. reported sole voting and investment power over 268,000 shares. James F. Dierberg, Trustee, reported sole voting and investment power over 43,680 shares and James F. Dierberg II reported sole voting and investment power over 4,300 shares.

(2) As reported by First Manhattan Co. in an amended Schedule 13G dated February 8, 2008. First Manhattan Co. reported sole voting power over 251,603 shares, shared voting power over 7,000 shares, sole investment power over 251,603 shares and shared investment power over 23,946 shares.

(3) The above information regarding beneficial ownership by Seymour Holtzman, Evelyn Holtzman, Jewelcor Management, Inc., S.H. Holdings, Inc. and Jewelcor Inc. was reported by them in an amendment to Schedule 13D dated February 2, 2007. Seymour Holtzman reported sole voting and sole dispositive power

over 303,493 shares and shared voting and shared dispositive power over 0 shares. Evelyn Holtzman reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Management, Inc. reported sole voting and sole dispositive power over 274,793 shares and shared voting and shared dispositive power over 0 shares. S.H. Holdings, Inc. reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Inc. reported sole voting and sole dispositive power over 0 shares and shared voting and shared dispositive power over 0 shares. Holtzman Opportunity Fund, L.P. reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. SH Independence, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. Holtzman Financial Advisors, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares. Jewelcor Investments, LLC reported sole voting and sole dispositive power over 28,700 shares and shared voting and shared dispositive power over 0 shares.

(4) The amount reported represents shares held by the 401(k) employee stock ownership plan (KSOP), 209,271 of which have been allocated to the accounts of participants under the employee stock ownership portion of the KSOP. National Trust Management Services, Inc., the trustee of the employee stock ownership plan, may be deemed to beneficially own the shares held by the employee stock ownership plan portion of the KSOP.

(5) Includes shares held directly, as well as shares held jointly with certain family members, shares held in retirement accounts, held in a fiduciary capacity, held by certain of the individual s or group members families, or held by trusts of which the individual or group member is a trustee or substantial beneficiary, with respect to which shares the individual or group member may be deemed to have sole or shared voting and/or investment powers. Included in the shares beneficially owned by the listed individuals are currently exercisable options to purchase shares of First PacTrust Bancorp common stock as follows:

Mr. Majors - 25,160	Mr. Scholz - 25,160	Mr. Sheehy - 38,000	Ms. Goodwin - 25,600
Mr. Ganz -125,800	Mr. Purdy - 25,160	Ms. Stewart - 40,800	Ms. Carrillo - 21,798
Mr. Burke - 25,160	Mr. Whitacre - 25,160	Ms. Lauer - 21,098	

(6) This amount includes 398,896 shares of common stock subject to currently exercisable options held by directors and executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors and executive officers, and persons who own more than 10% of the Company s common stock, to report to the SEC their initial ownership of the Company s common stock and any subsequent changes in that ownership. Specific due dates for these reports have been established by the SEC and the Company is required to disclose in this proxy statement any late filings or failures to file.

To the Company s knowledge, based solely on its review of the copies of these reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to the Company s executive officers and directors during fiscal 2007 were met.

PROPOSAL 1 ELECTION OF DIRECTORS

General

The Company s Board of Directors consists of six directors divided into three classes. Directors in each class are elected to serve for three-year terms that expire in successive years. The term of one of the classes of the Company s directors will expire at the annual meeting.

Nominees

The Company has nominated Francis P. Burke and Kenneth W. Scholz for election as directors for three-year terms expiring at the annual meeting of shareholders to be held in 2011. Messrs. Burke and Scholz currently serve as directors of the Company and the Bank. The nominees have each consented to being named in this proxy

statement and agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the Board of Directors, as holder of your proxy, will vote your shares for the substitute nominee, unless you have withheld authority to vote for the nominee replaced.

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the three nominees as directors. Your Board of Directors recommends that you vote FOR the election of each of the nominees.

The following tables set forth, with respect to each nominee and each continuing director, his or her name and age, the year in which he or she first became a director of the Bank, and his or her principal occupation and business experience during the past five years. All the individuals listed below have served as a director of the Company since its formation in 2002.

Nominees for Election as Directors for Three-Year

Terms Expiring at the 2011 Annual Meeting

Director, Year First Became Director of Company(1)	Age(2)	Principal Occupation and Business Experience
Francis P. Burke, 1994	68	Mr. Burke is currently retired. He retired from Rohr, Inc. as Vice President of Airline Support in 1997 after over 20 years of service in various positions, including Vice President, System Management, Program Manager, and Director, G.E./CFMI Programs, and with Rohr Marine, Inc. as Vice President and Surface Effect Ship Program Manager. He previously served six years as Executive Vice President of RMI, Inc., responsible for Business Development, Programs & Technology and Operations.
Kenneth W. Scholz, 1998	58	Mr. Scholz is Finance Director of Goodrich Aerostructures, an aerospace manufacturing company located in Chula Vista, California. He has served in this capacity since 1997, and in various other capacities for Goodrich Aerostructures since 1974.
		Directors Continuing in Office
		Terms Expiring at the 2009 Annual Meeting
Hans R. Ganz, 2000	53	Mr. Ganz has been President and Chief Executive Officer of Pacific Trust Bank, and its predecessor since 1995, and a Director since 2000. He has been employed with Pacific Trust Bank and its predecessor in various other capacities since 1992.
Donald M. Purdy, 1998	76	Mr. Purdy is currently retired. He served as Senior Vice President - Commercial Business for Rohr, Inc., Chula Vista, CA, from 1989 to1994, and was employed by Rohr, Inc. in various capacities for a period of 43 years.
		Terms Expiring at the 2010 Annual Meeting
Alvin L. Majors, 1985	67	Mr. Majors is currently retired. Prior to his retirement, he was employed by Rohr, Inc. for 26 years, with his last title being Vice President and Controller. Prior to joining Rohr, Inc., Mr. Majors worked for Deloitte for five years.
Donald A. Whitacre, 2001	54	Mr. Whitacre is Chief Executive Officer of D.A. Whitacre Construction, Inc., a commercial framing construction company located in El Cajon, California. He has operated this company since 1978.

(1) Includes service as a director of Pacific Trust Bank and its predecessor.
(2) As of March 7, 2008.

Table of Contents

BOARD OF DIRECTORS MEETINGS AND

COMMITTEE AND CORPORATE GOVERNANCE MATTERS

Board Meetings, Independence and Ethics Code

Meetings of the Company s Board of Directors are generally held on a monthly basis. The Company s Board of Directors held ten meetings and two special meetings during the fiscal year ended December 31, 2007. All directors of the Company attended more than 75 percent of the aggregate of the total number of Board meetings. The Company s general policy is for all directors to attend its annual meeting of stockholders, and every director but one attended last year s annual meeting.

The Board has determined that Directors Majors, Burke, Purdy, Scholz and Whitacre, constituting a majority of the Board members, are independent directors, as that term is defined in the Nasdaq listing standards. Stockholders may communicate directly with the Board of Directors by sending written communications to the Alvin L. Majors, Chairman of the Board of the Company, 610 Bay Boulevard, Chula Vista, California, 91910.

The Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. You may obtain a copy of the Code free of charge by writing to the Corporate Secretary of the Company, 610 Bay Boulevard, Chula Vista, California, 91910 or by calling (619) 691-1519. In addition, the Code of Business Conduct and Ethics has been filed with the SEC as Exhibit 14 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003 and is available on our website at www.firstpactrustbancorp.com at Governance Documents.

Board Committee Attendance and Charters

The Board of Directors of the Company has standing Executive, Audit, Nominating and Compensation Committees. All members of these committees attended more than 75 percent of the total number of meetings held by the committees on which he or she served.

The Board of Directors has adopted written charters for the Audit Committee, the Compensation Committee and the Nominating Committee. The charters for the Audit Committee, Compensation Committee and the Nominating Committee are available on our website at www.firstpactrustbancorp.com at Governance Documents. You also may obtain a copy of these committee charters free of charge by writing to the Corporate Secretary of the Company, 610 Bay Boulevard, Chula Vista, California, 91910 or by calling (619) 691-1519.

Executive Committee

The Executive Committee is comprised of Directors Majors, Burke, Purdy and Ganz. The Executive Committee meets on an as needed basis and is empowered to act on behalf of the entire board. This committee met one time in 2007.

Audit Committee

The Audit Committee is comprised of Directors Majors, Scholz and Whitacre, all of whom are independent directors under the Nasdaq listing standards. The Board of Directors has determined that Directors Majors and Scholz are audit committee financial experts as defined in Item 401(h) of Regulation S-K of the Securities and Exchange Commission and that all of the Audit Committee members meet the independence and financial literacy requirements under the Nasdaq listing standards. In 2007, this Committee met four times. This committee is responsible for hiring, terminating and/or reappointing the Company s registered public accounting firm and for reviewing the annual audit report prepared by our registered public accounting firm. The functions of the Audit Committee also include:

approving non-audit and audit services to be performed by the registered public accounting firm;

reviewing and approving all related party transactions for potential conflict of interest situations;

reviewing and assessing the adequacy of the Audit Committee charter on an annual basis;

reviewing significant financial information for the purpose of giving added assurance that the information is accurate and timely and that it includes all appropriate financial statement disclosures;

ensuring the existence of effective accounting and internal control systems, and

overseeing the entire audit function of the Company, both internal and independent.

Nominating Committee

The Nominating Committee is composed of Directors Purdy, Majors and Whitacre. The committee is primarily responsible for selecting nominees for election to the board. The Nominating Committee generally meets once per year to make nominations. The Nominating Committee will consider nominees recommended by shareholders in accordance with the procedures in the Company s bylaws, but the Nominating Committee has not actively solicited such nominations.

The Nominating Committee has the following responsibilities:

(i) recommend to the Board the appropriate size of the Board and assist in identifying, interviewing and recruiting candidates for the Board;

(ii) recommend candidates (including incumbents) for election and appointment to the Board of Directors, subject to the provisions set forth in the Company s certificate of incorporation and bylaws relating to the nomination or appointment of directors, based on the following criteria: business experience, education, integrity and reputation, independence, conflicts of interest, diversity, age, number of other directorships and commitments (including charitable obligations), tenure on the Board, attendance at Board and committee meetings, stock ownership, specialized knowledge (such as an understanding of banking, accounting, marketing, finance, regulation and public policy) and a commitment to the Company s communities and shared values, as well as overall experience in the context of the needs of the Board as a whole;

(iii) review nominations submitted by shareholders, which have been addressed to the Corporate Secretary, and which comply with the requirements of the Company s articles of incorporation and bylaws. Nominations from shareholders will be considered and evaluated using the same criteria as all other nominations;

(iv) annually recommend to the Board committee assignments and committee chairs on all committees of the Board, and recommend committee members to fill vacancies on committees as necessary, and

(v) perform any other duties or responsibilities expressly delegated to the Committee by the Board.

Nominations, other than those made by the Nominating Committee, must be made pursuant to timely notice in writing to the Corporate Secretary as set forth in Article I, Section 1 of the Company s bylaws. In general, to be timely, a shareholder s notice must be received by the Company not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s annual meeting; however, if less than 100 days notice of the date of the scheduled annual meeting is given by the Company, the shareholder has until the close of business on the tenth day following the day on which notice of the date of the scheduled annual meeting was made. The shareholder s notice must include the information set forth in Article I, Section 1 of the Company s bylaws, which includes the following:

(i) as to each person whom a shareholder proposes to nominate for election as a director:

all information relating to the proposed nominee that is required to be disclosed in the solicitation of proxies for election as directors or is otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934.

(ii) as to the shareholder giving the notice:

name and address of the shareholder as they appear on the Company s books;

number of shares of the Company s common stock beneficially owned by the shareholder.

The foregoing description is a summary of the Company s nominating process. Any shareholder wishing to propose a director candidate to the Company should review and must comply in full with the procedures set forth in the Company s charter and bylaws, and Maryland law.

During fiscal 2007 the Nominating Committee met one time with respect to selection of director nominees.

Compensation Committee

The Compensation Committee is currently comprised of Directors Majors, Purdy and Burke, all of whom are independent directors. This committee administers the Company s 2003 Stock Option and Incentive Plan and the 2003 Recognition and Retention Plan and reviews overall compensation policies for the Company. Since the Company does not pay any salaries to its officers or employees, all compensation matters, except for stock-based compensation awards, are addressed by Pacific Trust Bank s Board of Directors Compensation Committee. The Company s Compensation Committee met two times during fiscal 2007.

The Compensation Committee of the Bank is comprised of the same directors and is responsible for:

(i) determining compensation to be paid to its officers and employees, which are based on the recommendation of President Ganz, except that compensation paid to executive officers is determined based on the recommendation of a majority of the independent directors. President Ganz is not present during voting or deliberations concerning his compensation;

(ii) overseeing the administration of the employee benefit plans covering employees generally, and

(iii) reviewing the compensation policies.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee are an officer, employee or former officer of the Company or the Bank. None of our executive officers serve as a member of the compensation committee of any other company that has an executive officer serving as a member of our Board of Directors or serve as a member of the board of directors of any other company that has an executive officer serving as a member of our Compensation Committee.

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE

The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that First PacTrust Bancorp specifically incorporates it by reference in such filing

In evaluating executive officer pay, the Compensation Committee may retain the services of a compensation consultant or utilize published compensation surveys, and considers recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The Compensation Committee assesses the information it receives in accordance with its business judgment. The Compensation Committee also periodically reviews director compensation. All decisions with respect to executive and director compensation are approved by the Compensation Committee and recommended to the full board for ratification.

(19,162) (7,001)

Property and equipment expenditures

(5,760) (6,392)

Investment in long-term water assets

(118)

Proceeds from sale of easements

15,750

Investment in unconsolidated joint ventures

(1,389) (2,267)

Investment in pistachio processor

(485)

Other

(140) (194)

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

(7,311) (5,624)

FINANCING ACTIVITIES

Borrowings of short-term debt

6,850

Repayments of short-term debt

(16,400)

Repayments of long-term debt

(19) (17)

Proceeds from exercise of stock options

2,310 1,765

Taxes on vested stock grants

(812) (354)

Net proceeds from rights offering

59,799

Excess tax benefit from stock-based compensation

243

NET CASH PROVIDED BY FINANCING ACTIVITIES

1,479 51,886

NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,280)	47,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,027	683
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$19,747	$47,683

See Notes to Unaudited Consolidated Financial Statements.

3

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except shares outstanding)

	TEJON RANCH COMPANY STOCKHOLDERS EQUITY							
	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Tejon Ranch Co. s Stockholders Equity	Noncontrolling Interest	Total
Balance at January 1, 2010	17,019,428	$ 8,509	$ 126,829	$ (2,151)	$ 41,040	$ 174,227	$ 40,154	$ 214,381
Net loss					4,175	4,175	(216)	3,959
Changes in unrealized losses on available-for-sale securities, net of taxes of $1				(2)		(2)		(2)
Benefit plan adjustment net of taxes of $206				(299)		(299)		(299)
SERP liability adjustment, net of taxes of $248				330		330		330
Equity in other comprehensive loss of unconsolidated joint venture, net of taxes of $39				(69)		(69)		(69)
Comprehensive income								3,919
Rights Offering, net expenses	2,608,735	1,306	58,454			59,760		59,760
Exercise of stock options and related tax benefit of $204	78,894	39	1,960			1,999		1,999
Restricted stock issuance	56,131	28	(28)					
Shares withheld for taxes	(15,718)	(8)	(455)			(463)		(463)
Stock compensation			(2,944)			(2,944)		(2,944)
Balance at December 31, 2010	19,747,470	9,874	183,816	(2,191)	45,215	236,714	39,938	276,652
Net income					8,098	8,098	(59)	8,039
Changes in unrealized gains on available-for-sale securities, net of taxes of $114				174		174		174
Benefit plan adjustment net of taxes of $150				(224)		(224)		(224)
Equity in other comprehensive loss of consolidated joint ventures,net of taxes of $36				53		53		53
Comprehensive income								8,042
Exercise of stock options with related tax benefit of $619	199,165	100	4,976			5,076		5,076
Receivable of stock option proceeds from employees		(50)	(2,716)			(2,766)		(2,766)
Restricted stock issuance	49,043	24	(24)					
Shares withheld for taxes	(28,998)	(15)	(797)			(812)		(812)
Stock compensation			2,475			2,475		2,475

Balance at June 30, 2011	19,966,680	$ 9,933	$ 187,730	$ (2,188)	$ 53,313	$ 248,788	$ 39,879	$ 288,667

See Notes to Unaudited Consolidated Financial Statements.

4

Table of Contents

TEJON RANCH CO. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

NOTE A BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and its subsidiaries, (collectively, the Company), furnished pursuant to the instructions to Part I of Form 10-Q is unaudited and reflects all adjustments which are, in the opinion of the Company s management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature.

The periods ending June 30, 2011 and 2010 include the consolidation of Centennial Founders, LLC s statement of operations within the resort /residential segment and statement of cash flows. The Company s June 30, 2011 and December 31, 2010 balance sheets and statements of equity are presented on a consolidated basis including the consolidation of Centennial Founders, LLC.

The Company has identified three reportable segments: commercial/industrial real estate development and services, or commercial/industrial real estate, resort/residential real estate development, and farming. Information for the Company s reported segments is presented in its consolidated statements of operations. The Company s reporting segments follow the same accounting policies used for the Company s consolidated financial statements. Management evaluates a segment s performance based upon a number of factors including pretax results.

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of the Company s agricultural activities and timing of real estate sales and leasing activities. Historically, the Company s largest percentages of farming revenues are recognized during the third and fourth quarters of the fiscal year.

There have been no significant events that have not been previously disclosed or disclosed in this Form 10-Q.

For further information and a summary of significant accounting policies, refer to the Consolidated Financial Statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

NOTE B NET INCOME (LOSS) PER SHARE

Basic net income or loss per share is based upon the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is based upon the weighted average number of shares of common stock outstanding and the weighted average number of shares outstanding assuming the issuance of common stock upon exercise of stock options and vesting of stock grants per U.S. generally accepted accounting principles, or GAAP. GAAP also states that a stock rights issue where the exercise price at issuance is less than the fair value of the stock, contains a bonus element and requires that basic and diluted shares be adjusted retroactively for all periods presented in the financial statements. Based on this requirement, and as a result of the stock rights offering conducted in 2010, the number of shares in the table below for June 30, 2010 has been recomputed to reflect the required adjustment factor.

Table of Contents

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Weighted average number of shares outstanding:				
Common stock	19,840,116	17,925,205	19,806,034	17,763,277
Commons stock equivalents - stock options, grants	64,628	459,899	48,495	477,630
Diluted shares outstanding	19,904,744	18,385,104	19,854,529	18,240,907

For the three months ended June 30, 2011 and for the three and six months ended June 30, 2010, diluted net loss per share is calculated based on the weighted average number of shares of common stock outstanding and not diluted shares outstanding because of the antidilutive impact of common stock equivalents.

NOTE C   MARKETABLE SECURITIES

The Company classifies its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date. All costs and both realized and unrealized gains and losses on securities are determined on a specific identification basis.

The following is a summary of available-for-sale securities at June 30, 2011 and December 31, 2010:

(in thousands)	2011		2010	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Marketable Securities:				
Certificates of deposit				
with unrecognized losses for less than 12 months	$ 1,002	$ 999	$ 1,040	$ 1,034
with unrecognized losses for more than 12 months	100	100		
with unrecognized gains	5,642	5,692	4,338	4,392
Total Certificates of deposit	6,744	6,791	5,378	5,426
US Treasury and agency notes				
with unrecognized losses for less than 12 months	1,593	1,591	12,500	12,441
with unrecognized losses for more than 12 months	126	126	124	124
with unrecognized gains	24,351	24,556	7,211	7,342
Total US Treasury and agency notes	26,070	26,273	19,835	19,907
Corporate notes				
with unrecognized losses for less than 12 months	1,759	1,746	5,135	5,077
with unrecognized gains	21,312	21,808	12,526	12,952
Total Corporate notes	23,071	23,554	17,661	18,029
Municipal notes				
with unrecognized losses for less than 12 months	2,439	2,419	2,588	2,543
with unrecognized gains	5,195	5,255	3,038	3,080
Total Municipal notes	7,634	7,674	5,626	5,623

$ 63,519	$ 64,292	$ 48,500	$ 48,985

6

We evaluate our securities for other-than-temporary impairment based on the specific facts and circumstances surrounding each security valued below its cost. Factors considered include the length of time the securities have been valued below cost, the financial condition of the issuer, industry reports related to the issuer, the severity of any decline, our intention not to sell the security, and our assessment as to whether it is not more likely than not that we will be required to sell the security before a recovery of its amortized cost basis. We then segregate the loss between the amounts representing a decrease in cash flows expected to be collected, or the credit loss, which is recognized through earnings, and the balance of the loss which is recognized through other comprehensive income.

At June 30, 2011, the fair market value of investment securities exceeded the cost basis by $773,000. The cost basis includes any other-than-temporary impairments that have been recorded for the securities. None have been recorded at June 30, 2011. In the future based on changes in the economy, credit markets, financial condition of issuers, or market interest rates, this could change.

As of June 30, 2011, the adjustment to accumulated other comprehensive income (loss) in consolidated equity for the temporary change in the value of securities reflects an increase in the market value of available-for-sale securities of $288,000, which includes estimated taxes of $114,000.

As of June 30, 2011, the Company s gross unrealized holding gains equal $812,000 and gross unrealized holding losses equal $39,000. On June 30, 2011, the average maturity of certificates of deposits was 2.11 years, the average maturity of U.S. Treasury and agency securities was 2.61 years, the average maturity of corporate notes was 2.51 years and the average maturity of municipal notes was 2.86 years. Currently, the Company has no securities with a remaining term to maturity of greater than five years.

The following tables summarize the maturities, at par, of marketable securities by year:

(in thousands) At June 30, 2011	2011	2012	2013	2014	2015	Total
Certificates of deposit	$ 2,234	$ 1,536	$ 1,168	$ 682	$ 945	$ 6,565
U.S. Treasury and agency notes	3,377	4,734	10,785	4,916	2,221	26,033
Corporate notes	1,962	3,450	9,348	4,884	2,699	22,343
Municipal notes	565	910	2,505	3,120	290	7,390
	$ 8,138	$ 10,630	$ 23,806	$ 13,602	$ 6,155	$ 62,331

(in thousands) At December 31, 2010	2011	2012	2013	2014	2015	Total
Certificates of deposit	$ 2,234	$ 1,547	$ 1,168	$ 286	$	$ 5,235
U.S. Treasury and agency notes	3,516	4,734	8,535	1,969	980	19,734
Corporate notes	3,203	3,200	7,348	2,804	600	17,155
Municipal notes	930	910	1,750	1,840		5,430
	$ 9,883	$ 10,391	$ 18,801	$ 6,899	$ 1,580	$ 47,554

Table of Contents

All of our securities are valued using level one indicators. Level one indicators are quoted market prices for the same or equivalent securities. The Company s investments in corporate notes are with companies that have an investment grade rating from Standard & Poor s.

NOTE D COMMITMENTS AND CONTINGENCIES

A total of 5,488 acres of the Company s land is subject to water contracts requiring minimum future annual payments for as long as the Company owns such land. The estimated minimum payments for 2011 are estimated to be $2,000,000 before any potential credits are received, whether or not water is available or is used.

The Tejon Ranch Public Facilities Financing Authority, or TRPFFA, is a joint powers authority formed by Kern County and the Tejon-Castac Water District, or TCWD, to finance public infrastructure within the Company s Kern County developments. TRPFFA has created two Community Facilities Districts, or CFDs, the West CFD and the East CFD. The West CFD has placed liens on 1,728 acres of the Company s land to secure payment of special taxes related to $30,000,000 of bond debt sold by TRPFFA for Tejon Ranch Commerce Center, or TRCC,-West. The East CFD has placed liens on 1,931 acres of the Company s land to secure payments of special taxes related to $12,670,000 of bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has approximately $107,000,000 of additional bond debt authorized by TRPFFA that can be sold in the future.

In connection with the sale of bonds there is a standby letter of credit for $4,584,000 related to the issuance of West CFD bonds and a standby letter of credit for $2,189,000 related to the issuance of East CFD bonds. The standby letters of credit are in place to provide additional credit enhancement and cover approximately two years worth of interest on the outstanding bonds. These letters of credit will not be drawn upon unless the Company, as the largest land owner in each CFD, fails to make its property tax payments. The Company believes that the letters of credit will never be drawn upon. These letters of credit are for two-year periods of time and will be renewed in two-year intervals as necessary. The annual cost related to the letters of credit is approximately $100,000.

The Company is obligated, as a landowner in each CFD, to pay its share of the special taxes assessed each year. The secured lands include both the TRCC-West and TRCC-East developments. Proceeds from the sale of West CFD bonds went to reimburse the Company for public infrastructure related to the TRCC West development. At this time there are no additional reimbursement funds remaining from the West CFD bonds or East CFD bonds for reimbursement of cost. During 2010, the Company paid approximately $1,061,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. As this happens, the Company s obligation is correspondingly reduced. This amount could change in the future based on the amount of bonds outstanding and the amount of taxes paid by others. As development and land and building values increase around TRCC-West, the Company may be able to have up to approximately 1,400 acres released from the West CFD lien.

Tejon Mountain Village

On October 5, 2009, the Kern County Board of Supervisors granted entitlement approval for Tejon Mountain Village, or TMV. On November 10, 2009, a group consisting of the Center for Biological Diversity, or CBD, Wishtoyo Foundation, Tri-County Watchdogs and the Center on Race, Poverty and the Environment filed an action in the Kern County Superior Court under the California Environmental Quality Act, or CEQA, against Kern County and the Kern County Board of Supervisors, or collectively, the County, concerning the County s granting of

approval for TMV, including the certification of the Environmental Impact Report, or EIR, approval of associated General Plan amendments, adoption of associated Zoning Maps, adoption of Special Plan No. 1, Map 256, exclusion from Agricultural Preserves Nos. 4 and 19, and approval of Vesting Tentative Tract Maps 6720 and 6717, among other associated approvals. TMV was named as the real party in interest in the action.

The action alleged that the County failed to properly follow the procedures and requirements of CEQA including failure to identify, analyze and mitigate impacts to air quality, biological resources, hydrology and water quality, traffic, cultural resources, hazards, and failure to adequately describe the project and the environmental setting. The action also alleged that the County violated the Planning and Zoning Law and the Kern County General Plan.

On November 5, 2010, Kern County Superior Court Judge Kenneth Twisselman ruled in favor of the County, the Company, and its development partner DMB Associates, Inc., when he found that the County had properly analyzed and evaluated the environmental effects of TMV. In his ruling, Judge Twisselman rejected claims made by the above listed plaintiffs. On February 8, 2011, CBD appealed the Court s decision. On June 17, 2011, CBD filed its appeal documents for the court s review. Our response to the plaintiffs documents is anticipated to be filed during August 2011. A hearing date will not be set until the Court has had the opportunity to review the briefs. It is anticipated that the hearing date will be in early 2012.

On November 10, 2009, an additional suit was filed in Federal Court by an alleged representative of the Kawaiisu Tribe alleging that the Company does not hold legal title to the land within the TMV development that it seeks to develop. The grounds for the federal lawsuit were the subject of a United States Supreme Court decision in 1924 where the United States Supreme Court found in favor of the Company. On January 24, 2011, the Company received a ruling by Judge Wanger, of the Federal, District Court, Eastern District of California, which dismissed all claims against the Company, TMV, the County and the federal defendants. However, the Judge did grant a limited right by the plaintiff to amend certain causes of action in the complaint. During April 2011, the plaintiff amended his complaint and refiled a suit against the Company, alleging similar items as in the original suit. A hearing date has been preliminarily scheduled for August 29, 2011.

The company is continuing to vigorously defend its postion in these lawsuits and at this time, based on information available, the Company is not accruing any costs related to the possibility of a loss in connection with the above lawsuits.

Burrows Lawsuit

On February 10, 2010, an individual and a related limited liability company (collectively Burrows) filed a lawsuit in Los Angeles County regarding the allocation of certain water, land and entitlement processing rights as between Burrows, Tejon and Tejon s partners for the Centennial project in Los Angeles County. The lawsuit was filed against the Company and Centennial Founders, LLC. The lawsuit arises from and relates to a 2006 settlement agreement between Burrows and the Company involving a land swap, water rights and entitlement processing requirements relating to Centennial Founders, LLC and certain properties owned by Burrows in the immediate vicinity of the Centennial Founders, LLC site. This lawsuit was settled during June 2011. The monetary value of the settlement was immaterial to the financial operations of the Company.

National Cement

The Company leases land to National Cement Company of California Inc., or National, for the purpose of manufacturing Portland cement from limestone deposits on the leased acreage. The California Regional Water Quality Control Board, or RWQCB, for the Lahontan Region issued several orders in the late 1990s with respect to environmental conditions on the property currently leased to National:

(1) *Groundwater plume of chlorinated hydrocarbon compounds.* This order directs the Company s former tenant Lafarge Corporation, or Lafarge, the current tenant National, and the Company to, among other things, clean up groundwater contamination on the leased property. In 2003, Lafarge and National installed a groundwater pump-and-treat system to clean up the groundwater. The Company is advised that Lafarge and National continue to operate the cleanup system and will continue to do so over the near-term.

Table of Contents

(2) *Cement kiln dust.* National and Lafarge have consolidated, closed and capped cement kiln dust piles located on land leased from the Company. An order of the RWQCB directs National, Lafarge and the Company to maintain and monitor the effectiveness of the cap. Maintenance of the cap and groundwater monitoring remain as on-going activities.

(3) *Former industrial waste landfills.* This order requires Lafarge, National and the Company to complete the cleanup of groundwater associated with the former industrial waste landfills. The Company is advised that the cleanup is complete. Lafarge continues to monitor the groundwater.

(4) *Diesel fuel.* An order of the RWQCB directs Lafarge, National and the Company to clean up contamination from a diesel fuel tank and pipeline. The Company is advised that Lafarge and National have substantially completed the groundwater cleanup and that groundwater monitoring remains an on-going activity.

To date, the Company is not aware of any failure by Lafarge or National to comply with the orders or informal requests of the RWQCB. Under current and prior leases, National and Lafarge are obligated to indemnify the Company for costs and liabilities arising directly or indirectly out of their use of the leased premises. The Company believes that all of the matters described above are included within the scope of the National or Lafarge indemnity obligations and that Lafarge and National have sufficient resources to perform any reasonably likely obligations relating to these matters. If they do not and the Company is required to perform the work at its own cost, it is unlikely that the amount of any such expenditure by the Company would be material.

Antelope Valley Groundwater Cases

On November 29, 2004, a complaint was filed asking for the Antelope Valley groundwater basin to be adjudicated by the Los Angeles County Superior Court. This complaint sought to have the water rights of all parties overlying the basin, including the Company s land, be fixed based on various principles of water law and on negotiations among the principal parties or groups of water users. The case is currently in the third phase of a multi-phase trial. Therefore, it is too early to ascertain what effect, if any, this case may have on the Centennial project or the Company s remaining lands in the Antelope Valley. Because the water supply plan for the Centennial project includes several sources of water in addition to groundwater underlying the Company s lands, and because the creation of an efficient market for local water rights is frequently an outcome of adjudication proceedings, we anticipate that sufficient water to supply the Company s needs will continue to be available for its use regardless of the outcome of this case.

State Water Resources Control Board Lawsuit

On May 12, 2010, the California Attorney General, on behalf of the State Water Resources Control Board, filed a complaint in the Alameda County Superior Court for civil penalties and a permanent injunction against a number of TravelCenters of America LLC, or TA, facilities in the Central Valley of California. The travel centers in the Petro Travel Plaza Holdings LLC, or TA/Petro, were also included in the complaint. The lawsuit claims violations of various paper reporting, operating and UST monitoring prevention laws. In addition to the TA/Petro entity and its respective member entities, the lawsuit also names the Company and Tejon Industrial Corporation as defendants. The Company has tendered defense of the lawsuit to TA, under the defend and indemnify clause in the TA/Petro operating agreement, and has also secured the services of an outside law firm to work with TA s outside counsel under a joint defense agreement. Counsel for TA and the Company have worked with the California Attorney General to change the venue of the lawsuit to Merced County, and are also working together

Table of Contents

to attempt to dismiss the Company and Tejon Industrial Corporation, as well as other TA entities, from the lawsuit. A demurrer filed by counsel for TA and the Company was granted, and the California Attorney General has filed an amended complaint to which joint counsel are preparing to respond. Given the preliminary nature of this lawsuit, the Company has an insufficient basis to address the merits or potential outcomes of the lawsuit. The monetary value of a potential adverse outcome on the claim likewise cannot be estimated at this time.

Kern County Water Bank Lawsuits

On June 3, 2010, Central Delta and South Delta Water Agencies and several environmental groups, including CBD, filed a complaint in the Sacramento County Superior Court against the California Department of Water Resources (DWR), Kern County Water Agency and a number of real parties in interest, including the Company and TCWD. The lawsuit challenges certain amendments to the State Water Project contracts that were originally approved in 1995, known as the Monterey Amendments. The original EIR for the Monterey Amendments was determined to be insufficient in a lawsuit, and the current lawsuit challenges the remedial EIR that DWR prepared as a result of the original lawsuit. Among other legal allegations, the current lawsuit challenges the transfer of the Kern Water Bank, or KWB, from DWR to Kern County Water Agency and in turn to various Kern County interests, including TCWD which has a 2% interest in the KWB. A parallel lawsuit was also filed against Kern County Water Agency, also naming the Company and TCWD as real parties in interest. The Company is named on the ground that it controls TCWD. TCWD has a contract right for water stored in the KWB and rights to recharge and withdraw water. Counsel for the Company is considering a dismissal of the Company from these lawsuits. Given the preliminary nature of these lawsuits, the Company has an insufficient basis to address the merits or potential outcomes of the lawsuit. The monetary value of a potential adverse outcome on the claim likewise cannot be estimated at this time.

NOTE E INVESTMENT IN UNCONSOLIDATED AND CONSOLIDATED JOINT VENTURES

The Company maintains investments in joint ventures. The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting unless the venture is a variable interest entity, or VIE, and meets the requirements for consolidation. The Company s investment in its unconsolidated joint ventures at June 30, 2011 was $49,750, 000. The equity in the losses of the unconsolidated joint ventures was $30,000 for the six months ended June 30, 2011. These joint ventures have not been consolidated as of June 30, 2011, because the Company does not control the investments. The Company s current joint ventures are as follows:

Petro Travel Plaza Holdings LLC - TA/Petro is an unconsolidated joint venture with TravelCenters of America, LLC for the development and management of travel plazas and convenience stores. This is a 60%-owned joint venture which owns and operates travel plazas/commercial highway operations in TRCC. It houses multiple commercial eating establishments as well as diesel and gasoline operations. The Company does not control the investment due to its having only 50% voting rights, and because our partner in the joint venture performs the day-to-day operations at the facility. At June 30, 2011, the Company had an equity investment balance of $10,347,000 in this joint venture.

Tejon Mountain Village LLC - Tejon Mountain Village LLC, or TMV LLC, is an unconsolidated joint venture between the Company and DMB TMV LLC (a wholly owned subsidiary of DMB Associates, Inc.) formed to obtain all necessary government entitlement approvals and to develop the Tejon Mountain Village project. The Company owns a 50% interest in this venture. At June 30, 2011, the Company s equity investment balance in this joint venture was $33,823,000.

Table of Contents

Rockefeller Joint Ventures The Company has two joint ventures with Rockefeller Group Development Corporation for the development of buildings on approximately 91 acres. These joint ventures are part of an agreement for the development of up to 500 acres of land in TRCC including pursuing Foreign Trade Zone, or FTZ, designation and development of the property within the FTZ for warehouse distribution and light manufacturing. The Company owns a 50% interest in each of the joint ventures. Currently the Five West Parcel LLC joint venture owns and leases a 606,000 square foot building. The second of these joint ventures, 18-19 West LLC, was formed in August 2009 through the contribution of 61.5 acres of land by the Company, which is being held for future development. At June 30, 2011, the Company s combined equity investment balance in these two joint ventures was $5,580,000.

Centennial Founders, LLC - Centennial Founders, LLC is a joint venture with Pardee Homes, Lewis Investment Company, and Standard Pacific Corp. that was organized to pursue the entitlement and development of land that the Company owns in Los Angeles County. Based on the Second Amended and Restated Limited Company Agreement of Centennial Founders, LLC and the change in control and funding that resulted from the amended agreement, Centennial Founders, LLC qualified as a variable interest entity, beginning in the third quarter of 2009 and the Company was determined to be the primary beneficiary. As a result, Centennial Founders, LLC has been consolidated into our financial statements beginning in that quarter. Our partners retained a noncontrolling interest in the joint venture. At June 30, 2011 the Company had a 65.7% ownership position in Centennial Founders, LLC.

Unaudited condensed balance sheet information of the Company s unconsolidated and consolidated joint ventures as of June 30, 2011 and December 31, 2010 and condensed statements of operations for the six months ended June 30, 2011 and June 30, 2010 are as follows:

Statement of Operations

for the six months ending June 30, 2011

(In thousands)

	UNCONSOLIDATED					CONSOLIDATED
	Petro Travel Plaza Holdings	18-19 West LLC	Five West Parcel	Tejon Mountain Village	Total	Centennial
Gross revenues	$ 54,709	$	$ 228	$ 127	$ 55,064	$ 127
Net income (loss)	$ 611	$ (56)	$ (702)	$ (32)	$ (179)	$ (168)
Partner s share of net loss	$ 246	$ (28)	$ (351)	$ (16)	$ (149)	$ (60)
Equity in income (losses)	$ 365	$ (28)	$ (351)	$ (16)	$ (30)	$ (108)
Balance Sheet Information as of June 30, 2011						
Current assets	$ 13,973	$ 11	$ 132	$ 287	$ 14,403	$ 315
Property and equipment, net	44,239	4,093	16,840	79,553	144,725	64,416
Other assets	177		322		499	
Long-term debt	(18,419)		(8,625)		(27,044)	
Other liabilities	(2,064)		(97)	(416)	(2,577)	(1,235)
Net assets	$ 37,906	$ 4,104	$ 8,572	$ 79,424	$ 130,006	$ 63,496

Table of Contents

Statement of Operations

for the six months ending June 30, 2010

(In thousands)

	UNCONSOLIDATED					CONSOLIDATED
	Petro Travel Plaza Holdings	18-19 West LLC	Five West Parcel	Tejon Mountain Village	Total	Centennial
Gross revenues	$ 42,573	$	$ 120	$	$ 42,693	$ 53
Net income (loss)	$ 614	$ (5)	$ (675)	$ (32)	$ (98)	$ (310)
Partner s share of net loss	$ 245	$ (2)	$ (338)	$ (16)	$ (111)	$ (125)
Equity in income (losses)	$ 369	$ (3)	$ (337)	$ (16)	$ 13	$ (185)
Balance Sheet Information as of December 31, 2010						
Current assets	$ 13,717	$ 15	$ 45	$ 892	$ 14,669	$ 85
Property and equipment, net	44,642	4,022	17,179	77,233	143,076	61,879
Other assets	226		302		528	1
Long-term debt	(19,287)		(8,625)		(27,912)	
Other liabilities	(2,151)		(116)	(894)	(3,161)	(1,251)
Net assets	$ 37,147	$ 4,037	$ 8,785	$ 77,231	$ 127,200	$ 60,714

The Company s investment balance in its unconsolidated joint ventures differs from its capital accounts in the respective joint ventures. The differential represents the difference between the cost basis of assets contributed by the Company and the agreed-upon contribution value of the assets contributed.

NOTE F - LONG TERM WATER ASSETS

Long term assets consist of water and water contracts held for future use or sale. 6,700 acre feet of water are currently held in a water bank on Company land in southern Kern County. The water is held at cost which includes the price paid for the water and the cost to pump and deliver the water from the California aqueduct into the water bank. This amount also includes the right to receive an additional 2,362 acre feet of water in the future from Antelope Valley East Kern Water Agency, or AVEK, as well as an additional 331 acre feet of water in AVEK s water bank. An additional 14,786 acre feet of transferable water purchased for $8,985,000 is owned by the Company. The Company holds State Water Project, or SWP, contracts for 3,444 acre feet of water with the Tulare Water Storage District and the Dudley-Ridge Water Storage District to supply water through 2035. The Company increased its SWP contract holdings in December 2010 with the purchase of 1,993 acre feet of water from a contract holder within the Dudley-Ridge Water Storage District for approximately $11,660,000. These contracts are being amortized using the straight line method over that period. Annual amortization for the next five years will be $708,000 per year. Water assets consist of the following at June 30, 2011 and December 31, 2010:

($ in thousands)	June 30, 2011	December 31, 2010
Banked water and water for future delivery	$ 2,643	$ 2,600
Transferable water	8,985	8,985
SWP Contracts (net of accumulated amortization of $961,000 and $604,000 at June 30, 2011 and December 2010, respectively)	16,866	17,189

Total long-term assets	$	28,494	$	28,774

13

Table of Contents

NOTE G   INTEREST RATE RISK MANAGEMENT

At June 30, 2011, the Company had no outstanding interest rate swap agreements. However, a joint venture of the Company, TA/Petro, has an interest rate swap agreement with respect to $19,008,000 of its long-term debt to manage interest rate risk by converting floating interest rate debt to fixed-rate debt. This swap agreement matures in August 2012 and is a contract to exchange variable-rate for fixed-rate interest payments periodically over the life of the agreement. The interest rate swap fixed rate is 6.05%. TA/Petro accounts for the swap as a cash flow hedge with changes in the fair value of the swap recorded in other comprehensive income. The Company accounts for its share of the change in the interest rate swap in other comprehensive income and investments in unconsolidated joint ventures. As of June 30, 2011, the Company s portion of the fair value of the interest rate swap was a liability of $282,000.

NOTE H - STOCK COMPENSATION - OPTIONS

The Company s 1998 Stock Incentive Plan, or the 1998 Plan, provides for the making of awards to employees, consultants, and advisors of the Company with respect to 2,350,000 shares of the Company s common stock. Since the adoption of the 1998 Plan through June 30, 2011, the Company has granted options under the plan to purchase 1,129,292 shares at a price equal to the fair market value at date of grant, of which 1,071,792 have been exercised or forfeited, leaving 57,500 granted options outstanding at June 30, 2011. Options granted under the 1998 Plan vest over a five-year period and have ten-year contractual terms. All options granted under the 1998 Plan to date are currently vested.

The Non-Employee Director Stock Incentive Plan, or NDSI Plan, is intended to enable the Company to attract, retain, and motivate non-employee directors by providing for or increasing the proprietary interest of such persons in the Company. The NDSI Plan provides for the grant of awards to non-employee directors with respect to an aggregate of 200,000 shares of the Company s common stock. Since the adoption of the NDSI Plan through June 30, 2011, the Company has granted options under the plan to purchase 83,518 shares at a price equal to the fair market value at date of grant, of which 68,325 options have been exercised or forfeited, leaving 15,193 granted options outstanding at June 30, 2011. Options granted under the NDSI Plan vest one year from the date of grant and have ten year contractual terms. All outstanding options granted under the NDSI plan are currently vested.

There were no options granted in 2011 or 2010 under either the 1998 Plan or the NDSI Plan.

The value of the options was estimated using the Black-Scholes option-pricing formula and the expense was amortized over the options vesting periods. The following weighted-average assumptions were used in estimating the fair value of the options: risk-free interest rate of 5.00%, dividend rate of 0.0%, volatility factor of the expected market price of our common stock of 0.34, and a weighted-average expected life of the options of five years from the option grant date.

Exercise prices for options outstanding under the 1998 Plan and NDSI Plan as of June 30, 2011 ranged from $20.32 to $27.90. The weighted-average remaining contractual life of those options is approximately 1.5 years. None of the options granted under the 1998 Plan or NDSI Plan contain conversion features.

Table of Contents

The following is a summary of the Company s stock option activity and related information for the six month period ended June 30, 2011:

	2011	
	Options	Weighted-Average Exercise Prices Per Share
Outstanding beginning of period	271,858	$ 25.18
Granted		
Exercised	(199,165)	(25.49)
Forfeited/Cancelled		
Outstanding end of period	72,693	$ 27.35
Options exercisable end of period	72,693	$ 27.35

As of June 30, 2011, there was no unrecognized compensation cost related to stock options. No shares vested during the six months ended June 30, 2011, therefore, the fair value of shares vesting was zero. The total intrinsic value of options exercised during the six months ended June 30, 2011 and 2010 were $1,585,000 and $618,000, respectively. As of June 30, 2011, there were 72,693 options vested and exercisable with a weighted-average exercise price of $27.35, aggregate intrinsic value of $491,000, and weighted-average remaining contractual life of approximately 1.5 years. At June 30, 2011, there was a $2,766,000 receivable from employees recorded in stockholders equity for the receipt of proceeds from stock options exercised at the end June 2011 and subsequently settled in early July 2011.

NOTE I STOCK COMPENSATION - RESTRICTED STOCK AND PERFORMANCE SHARE GRANTS

The Company s stock incentive plans provide for the making of awards to employees based upon time-based criteria or through the achievement of performance-related objectives. The Company has issued three types of stock grant awards under these plans: restricted stock with time-based vesting, performance share grants that only vest upon the achievement of specified performance conditions, and performance share grants that include threshold, target, and maximum achievement levels based on the achievement of specific performance conditions. The Company has issued 129,864 shares of restricted stock that vest over three and four-year periods of time and of this amount 99,061 shares have vested. The Company also has granted performance units with stock awards ranging from zero shares if below threshold performance conditions to 98,814 for threshold performance, 680,146 shares for target performance, and 1,004,105 for maximum performance. These awards are tied to corporate cash flow goals and the achievement of specified milestone development activities. Total grants, including both time based and performance based grants, of 710,949 were outstanding at June 30, 2011. During the six months ending June 30, 2011, 49,043 shares vested.

The fair value of restricted stock with time-based vesting features is based upon the Company s share price on the date of grant and is expensed over the service period. Fair value of performance grants that cliff vest based on the achievement of performance conditions is based on the share price of the Company s stock on the day of grant once the Company determines that it is probable that the award will vest. This fair value is expensed over the service period applicable to these grants. For performance grants that contain a range of shares from zero to maximum we determine, based on historic and projected results, the probability of (1) achieving the performance objective, and (2) the level of achievement. Based on this information, we determine the fair value of the award and measure the expense over the service period related to these grants. Because the ultimate vesting of all performance grants is tied to the achievement of a performance condition, we adjust compensation cost according to the actual outcome of the performance condition.

Table of Contents

For the six months ending June 30, 2011 and 2010, there was total expense of $2,313,000 and $1,752,000, respectively.

Under the NDSI Plan, each non-employee director receives his or her annual compensation in stock. Under this plan, 54,858 shares of stock have been granted since the plan was adopted in 2004. Total expenses relating to non-employee director stock compensation during the six months ended June 30, 2011 and 2010 was $162,000.

NOTE J RETIREMENT PLAN

The Company has a defined benefit plan that covers many of its employees. The benefits are based on years of service and the employee s five-year final average salary. Contributions are intended to provide for benefits attributable to service both to date and expected to be provided in the future. The Company funds the plan in accordance with the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act. The Company anticipates contributing approximately $900,000 to the plan during 2011.

Plan assets consist of equity, debt and short-term money market investment funds. The plan s current investment policy targets 65% equities, 25% debt and 10% money market funds. Equity and debt investment percentages are allowed to fluctuate plus or minus 20% around the respective targets to take advantage of market conditions. As an example, equities can fluctuate from 78% to 52% of plan assets. At June 30, 2011, the investment mix was approximately 68% equity, 26% debt, and 6% money market funds. At December 31, 2010, the investment mix was approximately 67% equity, 23% debt and 10% money market funds. Equity investments consist of a combination of individual equity securities plus value funds, growth funds, large cap funds and international stock funds. Debt investments consist of U.S. Treasury securities and investment grade corporate debt. The weighted-average discount rate and rate of increase in future compensation levels used in determining the periodic pension cost is 5.5% in 2011 and 2010. The expected long-term rate of return on plan assets is 7.5% in 2011 and 2010. The long-term rate of return on plan assets is based on the historical returns within the plan and expectations for future returns.

The expected total pension and retirement expense was as follows for the six months ended June 30, 2011 and 2010:

(In thousands)	2011	2010
Cost components:		
Service cost-benefits earned during the period	$ (120)	$ (103)
Interest cost on projected benefit obligation	(158)	(120)
Expected return on plan assets	172	119
Net amortization and deferral	(94)	(71)
Total net periodic pension cost	$ (200)	$ (175)

16

Table of Contents

NOTE K INCOME TAXES

For the six months ended June 30, 2011, the Company incurred income tax expense of $4,268,000 compared to a net income tax benefit of $1,838,000 for the six months ended June 30, 2010. These represent effective income tax rates of approximately 35% and 43% for the six months ended June 30, 2011 and, 2010, respectively. The decline in the effective tax rate is primarily due to the Company experiencing net income before taxes for the six months ending June 30, 2011 compared to a net loss for the same period in 2010. Having net income allows the Company to benefit from permanent tax differences such as depletion allowances primarily due to increased oil production and oil royalities. As of June 30, 2011, our balance sheet reflects an income tax payable of $2,181,000.

The Company classifies interest and penalties incurred on tax payments as income tax expenses. At June 30, 2011, the Company had made income tax payments of $2,351,000 for 2011.

NOTE L SEGMENT REPORTING

The revenue components of our commercial/industrial real estate segment for the six months ending June 30 are as follows:

(In thousands)	2011	2010
Commercial leases	$ 2,616	$ 2,683
Oil and mineral royalties	4,645	2,880
Grazing leases	564	517
All other land management ancillary services	1,567	1,564
	$ 9,392	$ 7,644

Commercial lease revenue consists of land and building leases to tenants at our commercial retail and industrial developments, base and percentage rents from our Calpine power plant lease, communication tower rents, and payments from easement leases. Oil and mineral royalties are received from the exploration and development companies who extract or mine the natural resources from our land. Land management ancillary services include wildlife management, landscape and property maintenance, and building management services.

Resort/residential land development segment produces revenues from farming activities within the Centennial Founders LLC and is actively involved in the land entitlement and pre-development process. The farming segment produces revenues from the sale of wine grapes, almonds and pistachios.

During the first quarter of 2011, the Company completed the sale of five conservation easements totaling approximately 62,000 acres for $15,750,000. These easements were sold to the Tejon Ranch Conservancy, an independent non-profit organization set up as a part of the 2008 Conservation and Land Use Agreement by the conservation groups that signed the agreement. Funds for the purchase were provided by a grant from the California Wildlife Conservation Board. The Company will retain fee ownership of the 62,000 acres and continue to operate current revenue generating activities farming, cattle grazing, filming, oil and gas and other mineral exploration and production on portions of the acreage. The conservation easements will preclude the Company from pursuing any long term development on the 62,000 acres.

17

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements, including without limitation statements regarding strategic alliances, the almond, pistachio and grape industries, the future plantings of permanent crops, future yields, prices and water availability for our crops and real estate operations, future prices, production and demand for oil and other minerals, future development of our property, future revenue and income of our jointly-owned travel plaza and other joint venture operations, potential losses to the Company as a result of pending environmental proceedings, the adequacy of future cash flows to fund our operations, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable and our own outstanding indebtedness and other future events and conditions. In some cases these statements are identifiable through the use of words such as anticipate , believe , estimate , expect , intend , pl project , target , can , could , may , will , should , would , and similar expressions. In addition, any statements that refer to projections o financial performance, our anticipated growth, and trends in our business and other characterizations of future events or circumstances are forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performances and are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, weather, market and economic forces, availability of financing for land development activities, and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for a number of reasons including those described above in the section entitled, Risk Factors in this report and our Annual Report on Form 10-K .

Overview

We are a diversified real estate development and agribusiness company committed to responsibly using our land and resources to meet the housing, employment, and lifestyle needs of Californians and create value for our shareholders. Current operations consist of land planning and entitlement, land development, commercial sales and leasing, leasing of land for mineral royalties, grazing leases, income portfolio management, and farming. Our prime asset is approximately 270,000 acres of contiguous, largely undeveloped land that, at its most southerly border, is 60 miles north of the city of Los Angeles and, at its most northerly border, is 15 miles east of Bakersfield.

Our business model is designed to create value through the entitlement and development of land for commercial/industrial and resort/residential uses while at the same time protecting significant portions of our land for conservation purposes. We operate our business near one of the country s largest population centers, Los Angeles County, which is expected to continue to grow well into the future.

We currently operate in three business segments: commercial/industrial real estate development and services; resort/residential real estate development; and farming.

Commercial/industrial real estate development and services generates revenues from building, grazing and land lease activities, land and building sales, oil and mineral royalties and ancillary land management activities. Resort/residential land development produces revenues from farming activities within the Centennial Founders LLC, but is primarily involved in the land entitlement process and conservation activities. Farming produces revenues from the sale of grapes, almonds, and pistachios.

Table of Contents

For the first six months of 2011 we had a net income of $8,039,000 compared to a net loss of $2,607,000 for the first six months of 2010. This improvement is largely the result of the closing of the sales of conservation easements for $15,750,000, higher farming revenues, and higher oil royalties.

Critical Accounting Policies

The preparation of our interim financial statements in accordance with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical if (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimates that are likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, impairment of long-lived assets, capitalization of costs, profit recognition related to land sales, stock compensation, and our defined benefit retirement plan. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies have not changed since the filing of our Annual Report on Form 10 K for the year ended December 31, 2010. Please refer to that filing for a description of our critical accounting policies.

Results of Operations

Comparison of six months ended June 30, 2011 to six months ended June 30, 2010

Total revenue from segment operations for the first six months of 2011 was $28,518,000 compared to $8,351,000 for the first six months of 2010, representing an increase of $20,167,000, or 241%. Other income, including investment income, was $670,000 for the first six months of 2011 compared to $418,000 for the same period of 2010, representing an increase in other income of $252,000, or 60%. The $20,167,000, or 241%, increase in revenue from segment operations during the first six months of 2011 is primarily attributable to the sale of five conservation easements for $15,750,000 to the Tejon Ranch Conservancy, an independent non-profit organization set up as a part of the 2008 Conservation and Land Use Agreement by the conservation groups that signed the agreement. Funds for the purchase were provided by a grant from the California Wildlife Conservation Board. We also experienced increases in farming revenues of $2,591,000 and commercial/industrial revenues of $1,748,000.

Commercial/industrial revenues increased $1,748,000 in the first six months of 2011 compared to the same period of 2010 primarily due to increased oil royalties of $1,705,000, and increased land management and ancillary service revenues of $102,000, which were partially offset by declines in cement royalties. Oil royalties improved as they are tied directly to the market price of oil, which has increased compared to the same period of 2010. During the second quarter of 2011, we continued to see increased interest in oil exploration activities on our lands. We expect new drilling related to oil exploration to increase during the second half of 2011. This increase in activity does not mean there will be any increase in royalty revenue because new sources of oil may not be found. Continued limited construction activity in California resulted in a decrease in production from mining activities during the first six months of 2011, and resulted in lower mining royalties.

Table of Contents

The resort/residential segment reported revenues of $15,878,000 during the first six months of 2011 compared to $50,000 during the first six months of 2010. The increase is primarily due the sale of the five conservation easements totaling approximately 62,000 acres. The Company will retain fee ownership of the 62,000 acres and continue to operate current revenue generating activities including farming, cattle grazing, filming, oil and gas and other mineral exploration and production on portions of the acreage. The conservation easements will preclude the Company from pursuing any long term development on the 62,000 acres.

Farming revenues increased $2,591,000 in the first six months of 2011 compared to the same period in 2010 due primarily to an increase of $2,528,000 in almond revenues. The increase in almond revenue compared to the prior year is due to higher crop inventory carry-forward at the beginning of 2011 as compared to 2010, as a result of a late harvest of the 2010 almond crop.

Investment income increased $148,000 during the first six months of 2011 compared to the same period in 2010 due to an increase in average balance of funds invested. We anticipate an increase in our investment income during the remainder of 2011 as the proceeds from our rights offering that was completed in the second quarter of 2010 and generated approximately $60,000,000 in new equity, and the approximately $15,750,000 proceeds from the sale of the conservation easements, are invested in income producing securities.

Net income attributable to common stockholders for the first six months of 2011 was $8,098,000, or $0.41 per share, compared to a net loss attributable to common stockholders of $2,482,000, or $0.14, per share for the same period in 2010. The improvement for the first six months of 2011 is due to the net increase in revenues, as described above, partially offset by a net increase in expenses, as explained below.

Expenses within our commercial/industrial segment increased $699,000, or 13%, during the first six months of 2011 compared to the same period in 2010. This increase is primarily due to a $336,000 increase in fixed water costs and $292,000 increase in land management ancillary costs.

Farming expenses increased $1,699,000, or 114%, during the first six months of 2011 compared to the first six months of 2010 due to a $1,668,000 increase in cost of sales for prior year crop almonds. The increase in almond cost of sales compared to the prior year is due to higher crop inventory carry-forward at the beginning of 2011 as compared to 2010, as a result of a late harvest of the 2010 almond crop.

Corporate general and administrative costs increased $1,476,000, or 36%, during the first six months of 2011 compared to the same period in 2010, primarily due to a $995,000 increase in compensation costs primarily tied to, stock compensation and related payroll overhead, a $259,000 increase in depreciation expense related to the $11,700,000 water purchase in December 2010, a $155,000 increase in professional service fees primarily related to the general counsel search and various on-going information technology projects.

Our joint ventures generated net losses of $30,000 in the first six months of 2011 compared to net income of $13,000 in the first six months of 2010. The loss is primarily due to a $40,000 increased loss at our Rockefeller joint ventures in the first six months of 2011 over the first six months of 2010, as a result of higher operating costs and interest expenses.

Table of Contents

Comparison of three months ended June 30, 2011 to three months ended June 30, 2010

Total revenues for the second quarter of 2011, were $5,872,000 compared to $4,263,000 for the second quarter of 2010. This increase of $1,609,000, or 38%, in total revenues is primarily attributable to a $1,230,000 increase in oil royalties, as the average price of oil increased 52% and production increased 43%.

Commercial/industrial expenses increased by $280,000, or 10%, primarily due to an increase in ancillary land management expenses, and increased fixed water costs, which were partially offset by lower professional fees.

Farming revenues increased $450,000 during the second quarter of 2011 compared to the second quarter of 2010, primarily due to the sale of almonds as a result of the larger inventory carried over from the 2010 crop year. This is the same driver for the $129,000 increase in farm expenses.

Corporate investment income increased $93,000 during the second quarter of 2011 compared to the second quarter of 2010 due to higher average investment balances from the proceeds of the stock rights offering completed in the second quarter of 2010 and the $15,750,000 proceeds from the sale of the conservations easements completed in the first quarter of 2011.

Corporate expenses increased by $711,000, or 34%, during the second quarter of 2011 compared to the second quarter of 2010, primarily due to a $566,000 increase in compensation costs tied to stock compensation expense. Additionally, we experienced increases in depreciation related to the $11,700,000 water purchase in the fourth quarter of 2010 and professional fees related to the general counsel search and various information technology projects.

Our share of earnings from our joint ventures increased $167,000 in the second quarter of 2011 compared to the second quarter of 2010, primarily due to a $172,000 higher income from our TA/Petro joint venture. This $172,000 increase is attributable to higher margins, partially offset by higher interest and operating expenses.

Future activities within the commercial/industrial segment continue to be focused on the marketing and development of commercial/industrial and retail product within TRCC-East and completing the build-out of TRCC-West. These developments are being planned to coincide with what we anticipate to be future market demand, although the timing and extent of the future market demand is difficult for us to predict. We continue to focus our marketing efforts for TRCC-East and TRCC-West on the labor and logistical benefits of our site and the success that current tenants and owners within our development have experienced. We believe that in the long-term as California s population grows we will see increases in both industrial activity and retail activity at TRCC. Our development strategy fits within the logistics model that many companies are using, which favors larger single-site buildings rather than a number of decentralized smaller distribution centers. Buildings of 1.0 million square feet or larger are difficult to build in Los Angeles due to the number of acres necessary for a building of that size. We believe that our ability to provide land parcels to support buildings of that size will provide us with a potential marketing advantage in the future. A potential disadvantage to our development strategy is our distance from the Port of Los Angeles in comparison to the traditional warehouse/distribution centers east of Los Angeles. During the first half of 2011, vacancy rates began to decline in the Inland Empire region of Los Angeles, a large industrial area within Los Angeles.

Table of Contents

Lease rates however, continue to be depressed when compared to lease rates prior to the economic recession. We anticipate that excess capacity in the industrial market in the Los Angeles area and the resultant downward pressure on pricing could continue through 2011.

During 2011, we anticipate that our commercial/industrial and resort/residential real estate segments will incur costs, net of amounts capitalized, related to professional service fees, marketing costs, commissions, planning costs, and staffing costs as we continue to pursue development opportunities. Infrastructure development and marketing activities and costs could continue over the next several years as we develop our land holdings.

Most of the expenses incurred within our resort/residential segment during the remainder of 2011 will be focused on the on going implementation of the Conservation and Land Use Agreement and in coordinating efforts with our joint venture partners in the achievement of entitlement for Centennial Founders, LLC and reacting to the legal challenges against TMV and Centennial Founders, LLC.

We will also continue to evaluate land resources to determine the best uses of our land holdings. Future sales of land are dependent on market circumstances and specific opportunities. Our goal in the future is to increase land value and create future revenue growth through planning and development of residential communities and commercial and industrial properties.

All of our crops are sensitive to the size of each year s world crop. Large crops in California and abroad can rapidly depress prices. While it is still too early in the year to predict with any certainty, we estimate that our 2011 almond crop production will be on par with 2010 production due to what appears to be a good spring growing period. Almond prices, due to the late 2010 harvest and reduced inventories, are comparable to 2010 prices and showing some possible improvement. We were still holding 368,000 pounds of almonds in inventory at June 30, 2011. The market value of our remaining 2010 almond inventory exceeds the carrying value of that inventory. Based on the 2010 pistachio production management believes that 2011 production will be significantly lower due to the alternate bearing cycle of pistachios. Pistachio pricing for 2011 has been strong due primarily to the management of inventory by the pistachio industry and an increase in demand due to increased marketing.

Our long-term projection is that crop production, especially for almonds and pistachios will continue to increase on a statewide basis over time because of new plantings, which could negatively impact future prices if the growth in demand does not continue to keep pace with production. A positive factor for the almond industry is that underlying demand for product has remained strong both in the United States and in our export markets although the rate of growth slowed in 2010 due to economic factors. However, improved global production and any significant increase in the value of the dollar could negatively impact exports and decrease the current pricing for almonds.

Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, we are unable to accurately predict revenue and we cannot pass on to our customers any cost increases caused by general inflation, except to the extent such inflation is reflected in market conditions and commodity prices. The operations of the Company are seasonal and future results of operations cannot be predicted based on quarterly results. Future real estate sales and leasing activity are dependent on market circumstances and specific opportunities and therefore are difficult to predict from period to period.

Table of Contents

For further discussion of the risks and uncertainties that could potentially adversely affect us, please refer to Part I, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, or Annual Report, and to Risk Factors under Part II, Item 1A of this report and in Part I, Item 1A of our Annual Report.

We continue to be involved in various environmental proceedings related to leased acreage. For a further discussion, please refer to Note D Commitments and Contingencies in the Notes to Unaudited Consolidated Financial Statements in this report.

Income Taxes

Income tax expense totaled $4,268,000 for the first six months of 2011. This is compared to $1,838,000 of income tax benefit for the same period of 2010. These represent effective income tax rates of approximately 35% and 43% for the six months ended June 30, 2011 and 2010, respectively. The decline in the effective tax rate is primarily due to the Company experiencing net income before taxes for the six months ending June 30, 2011, compared to a net loss for the same period in 2010. Having net income allows the Company to benefit from permanent tax differences, such as depletion allowances created primarily due to increased oil production and oil royalities.

Cash Flow and Liquidity

Our cash, cash equivalents and marketable securities totaled approximately $84,039,000 at June 30, 2011, an increase of $13,027,000, or 18%, from the corresponding amount at the end of 2010. Cash, cash equivalents and marketable securities increased during the first six months of 2011 compared to the first six months of 2010 primarily due to the sale of conservation easements for $15,750,000.

The following table shows our cash flow activities for the six months ended June 30:

(In thousands)	2011	2010
Operating activities	$ 3,552	$ 738
Investing activities	$ (7,311)	$ (5,624)
Financing activities	$ 1,479	$ 51,886

During the first six months of 2011, our operations provided $3,552,000 of cash primarily from the positive impact of operating activities, an oil exploration lease payment, for which revenue will be recognized over the term of the lease and the collection of farming receivables, partially offset by increased farming inventory costs. During the first six months of 2010, our operations provided $738,000 of cash as a result of a $1,440,000 distribution of earnings from our TA/Petro joint venture and the collection of farming receivables which more than offset farming inventory expenditures during the period. Our operating loss for the first six months of 2010 did not result in net cash outflows due to the non-cash expenses included in the loss.

During the first six months of 2011, investing activities used $7,311,000 of cash primarily as a result of the $15,287,000 net investment in marketable securities, $5,760,000 in capital expenditures, described below, $1,389,000 in contributions in our unconsolidated joint ventures and $485,000 investment in Horizon Nut Company, a pistachio processing company. The goal of our investment in Horizon Nut Company is to hedge

against projected increasing processing costs. The above outflows are partially offset by the proceeds from the sale of conservation easements for $15,750,000. Included in the $5,760,000 capital expenditures during the first six months of 2011 was $2,552,000 related to Centennial Founders LLC. The remaining capital expenditures consisted of investments in TRCC infrastructure and ordinary capital expenditures such as farm equipment replacements.

During the first six months of 2010, investing activities used $5,624,000 of cash. During the period, we invested $2,225,000 in the TMV LLC joint venture. In addition, we invested $4,250,000 in Centennial Founders LLC. Centennial Founders LLC invested $3,647,000 of this amount in development projects which are included in property and equipment expenditures. During the first six months of 2010, we also invested $2,745,000 in TRCC infrastructure and ordinary capital expenditures such as farm equipment replacements. These cash outflows were offset by net cash of $3,347,000 provided from maturing and sold marketable securities.

It is anticipated that throughout the remainder of 2011 we will continue to invest funds in our real estate development projects and joint ventures. We estimate that our investment requirements over the remainder of 2011 could total approximately $10,000,000. These amounts include contributions to our joint ventures, primarily TMV and Centennial, investments in infrastructure within TRCC-East, and ordinary recurring capital investments within our operating segments. Throughout the remainder of 2011, contributions to joint ventures will be related to the entitlement process for Centennial Founders LLC and permitting, litigation costs, and water turnout development costs for TMV.

During the first six months of 2011, financing activities provided $1,479,000 in cash, primarily as a result of proceeds from the exercise of stock options, partially offset by payroll taxes on issuance of restricted stock grants. During the first six months of 2010, financing activities provided $51,886,000 in cash, primarily as a result of proceeds from a successful rights offering and from the exercise of stock options exceeding net payments on our line of credit. At June 30, 2011 and at the date of filing of this Form 10-Q there was no outstanding balance on our line of credit.

Capital Structure and Financial Condition

At June 30, 2011, total capitalization at book value was $288,974,000, consisting of $307,000 of debt and $288,667,000 of equity, resulting in a debt-to-total-capitalization ratio of less than one percent, which is unchanged when compared to the debt-to-total-capitalization ratio at December 31, 2010.

We have a long-term revolving line of credit of $30,000,000 that, as of June 30, 2011, had no outstanding balance. At the Company s option, the interest rate on this line of credit can be fixed at 2.50% over a selected LIBOR rate or can be fixed at 2.25% above LIBOR for a fixed rate term. During the term of this credit facility (which matures in October 2013), we can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary. Under the terms of the line of credit, we must maintain tangible net worth, defined as total equity, including noncontrolling interests, plus debt less intangible assets, not less than $175,000,000 and liquid assets of not less than $25,000,000. At June 30, 2011 our tangible net worth was $288,667,000 and liquid assets were $84,039,000. This line of credit is secured by a portion of our farm acreage.

Table of Contents

The outstanding long-term debt, less current portion of $36,000, is $271,000 at June 30, 2011. This debt is being used to provide long-term financing for a building being leased to Starbucks and the debt is secured by the leased building and land.

Our current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from ongoing operations, proceeds from the sale of developed parcels, potential sale of assets, additional use of debt, proceeds from the reimbursement of public infrastructure costs through the CFD bond debt (described in Note D - Commitments and Contingencies in the Notes to Unaudited Consolidated Financial Statements in this report), and the issuance of common stock.

As noted above, at June 30, 2011, we had $84,039,000 in cash and securities and as of the filing date of this Form 10-Q we have $30,000,000 available on credit lines to meet any short-term liquidity needs. We continue to expect that substantial future investments will be required in order to develop our land assets. In order to meet these long-term capital requirements, we may need to secure additional debt financing and continue to renew our existing credit facilities. In addition to debt financing, we may use other capital alternatives such as joint ventures with financial partners, sales of assets, and the issuance of common stock. There is no assurance that we can obtain financing from any of these sources or that we can obtain financing at favorable terms. Based on the Company s current financial position, we believe that we will have adequate capital resources to fund our cash needs and our capital investment requirements over the next few years.

Contractual Cash Obligations

The following table summarizes our contractual cash obligations and commercial commitments over the next five years:

		Payments Due by Period			
(In thousands)	Total	One Year or Less	Years 2-3	Years 4-5	After 5 Years
CONTRACTUAL OBLIGATIONS:					
Long-term debt	$ 307	$ 36	$ 80	$ 91	$ 100
Interest on fixed rate debt	78	20	32	20	6
Tejon Ranch Conservancy	4,920	640	980	880	2,420
Cash contract commitments	2,598	2,598			
Total contractual obligations	$ 7,903	$ 3,294	$ 1,092	$ 991	$ 2,526

The categories above include purchase obligations and other long-term liabilities reflected on our balance sheet under GAAP. A purchase obligation is defined in Item 303(a)(5)(ii)(D) of Regulation S-K as an agreement to purchase goods or services that is enforceable and legally binding on [us] that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Based on this definition, the table above includes only those contracts that include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

Our cash contract commitments consist of contracts in various stages of completion related to infrastructure development within our industrial developments and entitlement costs related to our industrial and residential development projects. At the present time, we do not have any capital lease obligations or purchase obligations outstanding. Our operating lease obligations are for office equipment, several vehicles, and a temporary trailer providing office space, and total, on average, approximately $23,000 per month.

Our financial obligations to the Tejon Ranch Conservancy, or Conservancy, a California nonprofit public benefit corporation, are prescribed in the Conservation and Land Use Agreement executed in June 2008. Our advances to the Conservancy are dependent on the timing of occurrence of certain events and are therefore subject to change in amount and period. The amounts included above are the minimum amounts we anticipate contributing through the year 2021. The obligation shown above is eighty percent of the total required obligations for the next three years and fifty-five percent thereafter. The percentages take into consideration current and anticipated cash funding levels of the Company to TMV and the Centennial Founders, LLC joint ventures, and the anticipated funding levels of our joint venture partners.

As discussed in Note J Retirement Plan in the Notes to Unaudited Consolidated Financial Statements in this report, we have long-term liabilities for employee retirement plans. The payments related to retirement plans are not included above since they are dependent upon when the employee retires or leaves the Company. In addition, minimum pension funding requirements are not included above, as such amounts are not available for all periods presented. We estimate that we will contribute approximately $900,000 to the pension plan in 2011.

Off-Balance Sheet Arrangements

The following table shows contingent obligations we have with respect to certain bonds issued by the CFD:

		Amount of Commitment Expiration Per Period			
(In thousands)	Total	One Year or Less	Years 2-3	Years 4-5	After 5 Years
OTHER COMMERCIAL COMMITMENTS:					
Standby letters of credit	$ 6,773	$	$ 6,773	$	$
Total other commercial commitments	$ 6,773	$	$ 6,773	$	$

The standby letters of credit described above are related to the issuance of CFD bonds by TRPFFA. The standby letters of credit, requested by TRPFFA, are in place to provide additional credit enhancement and cover approximately two years worth of interest on the outstanding bonds. The annual cost for the letters of credit is approximately $100,000. The letters of credit will not be drawn upon unless we, as the largest landowner in each CFD, fail to make its property tax payments. The letters of credit are for two-year periods of time and will be renewed in two-year intervals as necessary. We anticipate renewing the letters of credit because we continue to be the largest landowner within the development.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact the financial position, results of operations, or cash flows of the Company due to adverse changes in financial or commodity market prices or rates. We are exposed to market risk in the areas of interest rates and commodity prices.

Financial Market Risks

Our exposure to financial market risks includes changes to interest rates and credit risks related to marketable securities, interest rates related to our outstanding indebtedness and trade receivables.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields and prudently managing risk. To achieve this objective and limit interest rate exposure, we limit our investments to securities with a maturity of less than six years and an investment grade rating from Moody s or Standard and Poor s. See Note C - Marketable Securities in the Notes to Unaudited Consolidated Financial Statements in this report.

Our line-of-credit currently has no outstanding balance. The interest rate on our new line-of-credit can either float with LIBOR or be tied to a specific LIBOR rate on a fixed basis and change only at maturity of the fixed-rate feature. We are exposed to interest rate risk on our long term debt currently outstanding. The long-term debt of $307,000 has a fixed interest rate of 6.75%, and the fair value of this long-term debt will change based on interest rate movements in the market. The floating rate feature in our line of credit can expose us to variability in interest payments due to changes in interest rates. We believe it is prudent at times to limit the variability of floating-rate interest payments and in the past have entered into interest rate swaps to manage those fluctuations.

At June 30, 2011, we had no outstanding interest rate swap agreements. However, TA/Petro, an unconsolidated joint venture of the Company, has an interest rate swap agreement with respect to $19,008,000 of its long-term debt to manage interest rate risk by converting floating interest rate debt to fixed-rate debt. This swap agreement matures in August 2012 and is a contract to exchange variable-rate for fixed-rate interest payments periodically over the life of the agreement. The interest rate swap fixed rate is 6.05%. Changes in the value of the interest rate swap are reflected in other comprehensive income of the joint venture, and the Company accounts for its share of the change in the interest rate swap in other comprehensive income. At June 30, 2011, the Company s share of the loss in the interest rate swap is $282,000.

Market risk related to our farming inventories ultimately depends on the value of almonds, grapes, and pistachios at the time of payment or sale. Credit risk related to our receivables depends upon the financial condition of our customers. Based on historical experience with our current customers and periodic credit evaluations of our customers financial conditions, we believe our credit risk is minimal. Market risk is discussed below in the section pertaining to commodity price exposure.

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present our debt obligations and marketable securities and their related weighted-average interest rates by expected maturity dates.

Interest Rate Sensitivity Financial Market Risks

Principal Amount by Expected Maturity

At June 30, 2011

(In thousands)

	2011	2012	2013	2014	Thereafter	Total	Fair Value at 06/30/2011
Assets:							
Marketable securities	$ 8,178	$ 10,684	$ 24,307	$ 14,009	$ 6,341	$ 63,519	$ 64,292
Weighted average interest rate	1.85%	2.79%	1.95%	1.78%	1.99%	2.05%	
Liabilities							
Long-term debt	$ 18	$ 37	$ 40	$ 43	$ 169	$ 307	$ 307
Weighted average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	

Interest Rate

Sensitivity Financial Market Risks

Principal Amount by Expected Maturity

At December 31, 2010

(In thousands)

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value 12/31/2010
Assets:								
Marketable securities	$ 9,979	$ 10,454	$ 19,322	$ 7,151	$ 1,594	$	$ 48,500	$ 48,985
Weighted average interest rate	2.37%	2.84%	2.12%	1.93%	2.15%		2.30%	
Liabilities:								
Long-term debt	$ 35	$ 37	$ 40	$ 43	$ 46	$ 124	$ 325	$ 325
Weighted average interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	

In comparison to the prior year, our risk with regard to fluctuations in interest rates related to the use of debt has decreased because of no outstanding balance on our line of credit and also no changes to our long-term debt balances. Our risk with regard to fluctuations in interest rates has increased slightly related to marketable securities since these balances have increased compared to the prior year.

Commodity Price Exposure

As of June 30, 2011, we have exposure to adverse price fluctuations associated with certain inventories and accounts receivable. Farming inventories consist of farming cultural and processing costs related to 2011 and 2010 crop production. The farming costs inventoried are recorded at actual costs incurred. Historically, these costs have been recovered each year when that year s crop harvest has been sold.

With respect to accounts receivable, the amount at risk relates primarily to farm crops. These receivables are recorded as estimates of the prices that ultimately will be received for the crops. The final price is generally not known for several months following the close of our fiscal year. Of the $4,439,000 accounts receivable outstanding at June 30, 2011, $1,950,000 is at risk to changing prices. Of the amount at risk to changing prices, $1,163,000 is attributable to pistachios, and $787,000 is attributable to almonds. The comparable amount of accounts receivable at risk to price changes at December 31, 2010 was $8,186,000 of the total accounts receivable of $9,812,000. Of the December 31, 2010 amount at risk to changing prices, $6,543,000 is related to pistachios and $1,643,000 is related to almonds.

Table of Contents

The price estimated for recording accounts receivable for almonds recorded at June 30, 2011 was $1.81 per pound, as compared to $1.76 per pound at December 31, 2010. For each $.01 change in the price of almonds, our receivable for almonds increases or decreases by $4,300. Although the final price of almonds (and therefore the extent of the risk) is not presently known, over the last three years prices have ranged from $1.29 to $2.35. With respect to pistachios, the price estimated for recording the receivable was $2.47 per pound. For each $.01 change in the price of pistachios, our receivable for pistachios increases or decreases by $4,700. The range of final prices over the last three years for pistachios has ranged from $1.77 to $2.47 per pound.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in ensuring that all information required in the reports we file or submit under the Exchange Act was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and was recorded, processed, summarized and reported within the time period required by the rules and regulations of the Securities and Exchange Commission.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Please refer to Note D Commitments and Contingencies in the Notes to Unaudited Consolidated Financial Statements in this report.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A or elsewhere in our most recent Annual Report on Form 10-K.

29

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Reserved

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits		Page Number
3.1	Restated Certificate of Incorporation	FN 1
3.2	By-Laws	FN 1
10.1	Water Service Contract with Wheeler Ridge-Maricopa Water Storage District (without exhibits), amendments originally filed under Item 11 to Registrant s Annual Report on Form 10-K	FN 4
10.5	Petro Travel Plaza Operating Agreement	FN 5
10.6	*Amended and Restated Stock Option Agreement Pursuant to the 1992 Employee Stock Incentive Plan	FN 3
10.7	*Severance Agreement	FN 3
10.8	*Director Compensation Plan	FN 3
10.9	*Amended and Restated Non-Employee Director Stock Incentive Plan	FN 10
10.9(1)	*Stock Option Agreement Pursuant to the Non-Employee Director Stock Incentive Plan	FN 3
10.10	*Amended and Restated Stock Incentive Plan	FN 10
10.10(1)	*Stock Option Agreement Pursuant to the 1998 Stock Incentive Plan	FN 3

30

10.11	*Employment Contract - Robert A. Stine	FN 5
10.15	Lease Agreement with Calpine Corp.	FN 6
10.15	Form of Securities Purchase Agreement	FN 8
10.16	Form of Registration Rights Agreement	FN 9
10.17	*2004 Stock Incentive Program	FN 10
10.18	*Form of Restricted Stock Agreement	FN 10
10.19	*Form of Restricted Stock Unit Agreement	FN 10
10.23	Tejon Mountain Village LLC Operating Agreement	FN 12
10.24	Tejon Ranch Conservation and Land Use Agreement	FN 13
10.25	Second Amended and Restated Limited Liability Agreement of Centennial Founders, LLC	FN 17
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
101**	The following information from the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Equity and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.	

* Management contract, compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities and Exchange Act of 1934, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

FN 1 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1987, is incorporated herein by reference.

FN 2 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.

FN 3 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K, for the period ending December 31, 1997, is incorporated herein by reference.

FN 4 This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.

FN 5 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 6 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.2 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.

FN 7 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 15 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.

FN 8 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibit 10.24 to our Current Report on Form 8-K filed on May 24, 2006, is incorporated herein by reference.

FN 9 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.28 to our Current Report on Form 8-K filed on June 23, 2008, is incorporated herein by reference.

FN 10 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.9 and Exhibit 10.10 to our Annual Report on form 10-K for the year ended December 31, 2008, is incorporated herein by reference.

FN 11 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) under Item 5 to our Quarterly Report on Form 10-Q for the period ending June 30, 2009, is incorporated herein by reference.

(b) Exhibits

The exhibits being filed with this report are attached at the end of this report.

(c) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJON RANCH CO.

(The Company)

August 5, 2011	BY	/s/ Allen E. Lyda
DATE		Allen E. Lyda
		Senior Vice President, Chief Financial Officer

33