TEJON RANCH CO
Form DEF 14A
March 30, 2010

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

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 §240.14a-12

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

# TEJON RANCH CO.

**(Name of Registrant as Specified In Its Charter)**

**(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:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Notes:

**Post Office Box 1000**

**Lebec, California 93243**

March 30, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Tejon Ranch Co. on Tuesday, May 11, 2010, at 9:30 A.M., at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California. Your Board of Directors and management look forward to greeting those stockholders who are able to attend.

The Notice of Annual Meeting and Proxy Statement, which contain information concerning the business to be transacted at the meeting, appear in the following pages.

It is important that your shares be represented and voted at the meeting, whether or not you plan to attend. Please vote the enclosed proxy at your earliest convenience.

Your interest and participation in the affairs of the Company are greatly appreciated.

Sincerely,

Robert A. Stine,

President and Chief Executive Officer

**TEJON RANCH CO.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**on**

**May 11, 2010**

The Annual Meeting of Stockholders of Tejon Ranch Co. (the Company or Tejon or referred to as we , us , our or words of similar import in t
Proxy Statement) will be held at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California on Tuesday, May 11, 2010, at 9:30 A.M., California time, for the following purposes:

1. To elect three directors.

2. To ratify the appointment of Ernst & Young LLP as the Company s independent public accountants for fiscal year 2010.

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The names of the nominees of the Board of Directors of the Company for election at the meeting are: Barbara Grimm-Marshall, George G.C. Parker, and Robert A. Stine.

**The Board of Directors of the Company recommends that you vote FOR the approval of each of the proposals outlined in the Proxy Statement accompanying this notice.**

The Board of Directors has fixed the close of business on March 12, 2010, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

Your attention is invited to the accompanying Proxy Statement. To ensure that your shares are represented at the meeting, please date, sign, and mail the enclosed proxy card, for which a return envelope is provided, or vote your proxy by phone or the internet, the instructions for which are provided on the enclosed proxy card.

**Please note that because of a change in the rules of the New York Stock Exchange, if your shares are held by a broker, bank or other holder of record, your broker, bank or other holder of record will NOT be able to vote your shares with respect to the election of directors unless you provide directions to your broker. We strongly encourage you to return the voting instructions provided by your broker, bank or other holder of record or utilize your broker s telephone or internet voting if available and exercise your right to vote as a stockholder.**

For the Board of Directors,

KENT G. SNYDER, Chairman of the Board

TERI BJORN, Secretary

Lebec, California

March 30, 2010

**PLEASE MARK YOUR INSTRUCTIONS ON THE ENCLOSED PROXY, SIGN AND DATE THE PROXY, AND RETURN IT IN THE ENCLOSED POSTAGE PAID ENVELOPE. ALTERNATIVELY, PLEASE VOTE YOUR PROXY BY PHONE OR THE INTERNET. PLEASE VOTE YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU ATTEND THE MEETING AND WISH TO DO SO, YOU MAY VOTE YOUR SHARES IN PERSON EVEN IF YOU HAVE PREVIOUSLY**

**VOTED YOUR PROXY.**

# TEJON RANCH CO.

**Post Office Box 1000**

**Lebec, California 93243**

## PROXY STATEMENT

**Annual Meeting of Stockholders**

**May 11, 2010**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on May 11 2010**

**The Proxy Statement and accompanying Annual Report to stockholders are available at www.tejonranch.com. or at http://www.materials.proxyvote.com/879080**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Company for use at the Annual Meeting of Stockholders to be held on May 11, 2010 (the 2010 Annual Meeting ).

It is anticipated that the mailing of this Proxy Statement and accompanying form of Proxy to stockholders will begin on or about March 31, 2010.

## SOLICITATION OF PROXIES

At the meeting, the stockholders of the Company will be asked to (1) elect three directors, (2) ratify the appointment of Ernst & Young LLP as the Company s independent public accountants for fiscal year 2010, and (3) transact such other business as may properly come before the meeting. The Company s Board of Directors (the Board ) is asking for your proxy for use at the 2010 Annual Meeting. Although management does not know of any other matter to be acted upon at the meeting, shares represented by valid proxies will be voted by the persons named on the proxy in accordance with their best judgment with respect to any other matters which may properly come before the meeting.

The cost of preparing, assembling, and mailing the Notice of Meeting, this Proxy Statement and the enclosed proxy ballot will be paid by the Company. Following the mailing of this Proxy Statement, directors, officers, and regular employees of the Company may solicit proxies by mail, telephone, e-mail, or in person; such persons will receive no additional compensation for such services. Brokerage houses and other nominees, fiduciaries and custodians nominally holding shares of record will be requested to forward proxy soliciting material to the beneficial owners of such shares and will be reimbursed by the Company for their charges and expenses in connection therewith at the rates approved by the New York Stock Exchange.

## RECORD DATE AND VOTING

Holders of shares of the Company s Common Stock, par value $0.50 (the Common Stock ) of record at the close of business on March 12, 2009 (the Record Date ) are entitled to notice of, and to vote at, the meeting. There were 17,106,696 shares of Common Stock outstanding on the Record Date. A stockholder giving a proxy may revoke it at any time before it is voted by filing with the Company s Secretary a written notice of revocation or by submitting a later-dated proxy via the Internet, by telephone, or by mail. Unless a proxy is revoked and except as indicated below under Election of Directors, shares represented by a proxy will be voted in accordance with the voting instructions on the proxy and, on matters for which no voting instructions are given, shares will be voted for the nominees of the Board as shown on the proxy. Stockholders cannot abstain in the election of directors, but they can withhold authority. Stockholders who withhold authority will be considered present for purposes of determining a quorum. If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered to be the beneficial owner of those shares. As the beneficial owner, you have the right to instruct your broker, bank or other holder of record how to vote your shares. If you do not provide instructions, your broker, bank or other holder of record has the discretion to vote only on routine matters, such as the ratification of the selection of independent registered public accounting firms. Due to recent changes to these rules, however, the election of directors at the Annual Meeting will not be considered a routine matter and, as a result, your broker will not have the discretion to vote in the election of directors at the Annual Meeting unless you provide applicable instructions to do so. Therefore, we strongly encourage you to follow the voting instructions on the materials you receive.

Further, if you do not provide your broker, bank or other holder of record with voting instructions, your shares may constitute broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Both abstentions and broker non-votes will have no effect on Proposal 1. (election of directors). Abstentions will have the same effect as a negative vote on Proposal 2 (ratification of Ernst & Young LLP as our independent public accountants), because abstentions will be considered votes cast.

Stockholders will be able to cumulate their vote in the election of directors. Cumulative voting means that each stockholder is entitled to a number of votes equal to the number of directors to be elected multiplied by the number of shares he or she holds. These votes may be cast for one nominee or distributed among two or more nominees. The three (3) candidates receiving the highest number of affirmative votes (also referred to as a plurality) will be elected as directors at the 2010 Annual Meeting.

To be approved, the ratification of Ernst & Young LLP as our independent public accountants must receive the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote at the meeting. Abstentions have the effect of a negative vote.

On all other matters, stockholders are entitled to one vote per share held. The proxies being solicited include authority of the proxy holders to cumulate votes.

Pursuant to Delaware corporate law, the actions contemplated to be taken at the 2010 Annual Meeting do not create appraisal or dissenters rights.

## PROPOSAL 1

## THE ELECTION OF DIRECTORS

The Board currently consists of eight directors divided into three classes based upon when their terms expire. The terms of three directors (Class II) expire at the 2010 Annual Meeting, the terms of three directors (Class III) expire at the 2011 Annual Meeting, and the terms of two directors (Class I) expire at the 2012 Annual Meeting. The regular term of each director expires at the third Annual Meeting following the Annual Meeting at which that director was elected, although directors continue to serve until their successors are elected and qualified, unless the authorized number of directors has been decreased.

The nominees of the Board for election at the 2010 Annual Meeting to serve as Class II directors (all of whom are presently directors) are Barbara Grimm-Marshall, George G.C. Parker, and Robert A. Stine.

Nominations of persons for election to the Board by stockholders must be made pursuant to timely notice in writing to the Secretary of the Company pursuant to the Company s Certificate of Incorporation. See Stockholder Proposals for 2011 Annual Meeting for additional information on the procedure for stockholder nominations.

Except as noted below, each proxy solicited by and on behalf of the Board will be voted FOR the election of the nominees named above (unless such authority is withheld as provided in the proxy) and one-third of the votes to which the stockholder is entitled will be cast for each of the three nominees. In the event any one or more of the nominees shall become unable to serve or refuse to serve as director (an event which is not anticipated), the proxy holders will vote for substitute nominees in their discretion. If one or more persons other than those named below as nominees for the 2010 Annual Meeting are nominated as candidates for director by persons other than the Board, the enclosed proxy may be voted in favor of any one or more of said nominees of the Board or substitute nominees and in such order of preference as the proxy holders may determine in their discretion.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES NAMED ABOVE FOR ELECTION AS A DIRECTOR.**

## PROPOSAL 2

## THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT

## REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010. Services provided to the Company and its subsidiaries by Ernst & Young LLP in fiscal years 2009 and 2008 are described under Audit Fees below. Additional information regarding the Audit Committee is provided in the Report of the Audit Committee below.

Representatives of Ernst & Young LLP are expected to be present at the 2010 Annual Meeting and will have an opportunity to make a statement if they wish and will be available to respond to appropriate questions from stockholders.

### Stockholder Ratification of the Appointment of Independent Registered Public Accountant.

We are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent auditor. Although ratification is not required by our certificate of incorporation, bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. In the event stockholders do not ratify the appointment of Ernst & Young LLP, the appointment will be reconsidered by the Audit Committee and the Board. Even if the selection is ratified, the Audit Committee may, in its discretion, select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

### Independent Public Accountants

Ernst & Young LLP was selected by the Audit Committee to serve as the Company s independent public accountants for the fiscal year 2010, and served in that capacity for the year ended December 31, 2009.

*Audit Fees*. The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company s annual financial statements for the year ended December 31, 2009 and for the reviews of the financial statements included in the Company s Forms 10-Q for the year ended December 31, 2009 were $327,570. The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company s annual financial statements for the year ended December 31, 2008 and for the reviews of the financial statements included in the Company s Forms 10-Q for the year ended December 31, 2008 were $320,914.

*Audit-Related Fees.* The aggregate audit-related fees billed by Ernst & Young LLP that were reasonably related to the performance of the audit or review of the Company s financial statements, including fees for the performance of audits and attest services not required by statute or regulations; audits of the Company s employee benefit plans; due diligence activities related to investments; and accounting consultations about the application of generally accepted accounting principles to proposed transactions (collectively, the Audit-Related Fees ) for the year ended December 31, 2009 were $43,350. The Audit-Related Fees billed by Ernst & Young LLP for the year ended December 31, 2008 were $26,980.

*Tax Fees.* The aggregate fees billed by Ernst & Young LLP for tax compliance, advice and planning services for the year ended December 31, 2009 were $214,250. The aggregate fees billed by Ernst & Young LLP for tax compliance, advice and planning services for the year ended December 31, 2008 were $126,443. In each case the services consisted of tax return preparation.

*All Other Fees.* Ernst & Young LLP did not bill for any services other than those listed above for the years ended December 31, 2009 or December 31, 2008.

The Audit Committee Charter requires that the Audit Committee pre-approve all services performed by Ernst & Young LLP, and in the years ending December 31, 2009 and 2008, 100% of these services were pre-approved by the Audit Committee. Ernst & Young LLP provides a proposal to the Audit Committee for all services it proposes to provide and the Audit Committee then takes such action on the proposal as it deems advisable.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT PUBLIC ACCOUNTANTS FOR FISCAL YEAR 2010.**

## THE BOARD OF DIRECTORS

**Consideration of Director Nominees**

The Board believes the Board, as a whole, should possess the requisite combination of skills, professional experience, and diversity of backgrounds to oversee the Company s business. The Board also believes that there are certain attributes each individual director should possess, as reflected in the Board s membership criteria. Accordingly, the Board and the Nominating and Corporate Governance Committee (the Nominating Committee ) consider the qualifications of directors and director candidates individually as well as in the broader context of the Board s overall composition and the Company s current and future needs.

The Nominating Committee is responsible for selecting nominees for election to the Board. In considering candidates for the Board, the Nominating Committee evaluates the entirety of each candidate s credentials, attributes, and other factors (as described in greater detail in the Company s Corporate Governance Guidelines), but does not have any specific minimum qualifications that must be met by a nominee. However, the Nominating Committee seeks as directors individuals with substantial management experience who possess the highest personal values, judgment and integrity, an understanding of the environment in which the Company does business and diverse experience with the key business, financial and other challenges that the Company faces. In addition, in considering the nomination of existing directors, the Nominating Committee takes into consideration (i) each director s contribution to the Board; (ii) any material change in the director s employment or responsibilities with any other organization; (iii) the director s ability to attend meetings and fully participate in the activities of the Board and the committees of the Board on which the director serves; (iv) whether the director has developed any relationships with the Company or another organization, or other circumstances have arises, that might make it inappropriate for the director to continue serving on the Board; and (v) the director s age and length of service on the Board.

Because the Nominating Committee recognizes that a diversity of viewpoints and practical experiences can enhance the effectiveness of the Board, as part of its evaluation of each candidate, the Nominating Committee takes into account how that candidate s background, experience, qualifications, attributes and skills may complement, supplement or duplicate those of other prospective candidates.

Based on the parameters described above, the Board has determined that the directors standing for reelection and the remaining members of the Board have the qualifications, experience, and attributes appropriate for a director for the Company. As reflected below, each director has a varied background in the real estate industry, finance, and agriculture. These are all areas that are integral to the strategy, operations and successful oversight of the Company.

**Board Composition and Leadership Structure**

The Board is grouped into three classes: (1) Class I Directors, who will serve until the 2012 Annual Meeting, (2) Class II Directors, who will serve until the 2013 Annual Meeting, and (3) Class III Directors, who will serve until the 2011 Annual Meeting. The Board currently consists of eight directors. The Board s leadership is structured so that there is a separate Chairman of the Board and Chief Executive Officer. The Chairman of the Board is also an independent director. The Board believes that this structure is appropriate because it provides an additional layer of oversight to management and management s activities and allows the Board to act independent of management.

**Director Qualifications and Biographical Information**

The Nominating Committee considered the character, experience, qualifications and skills of each director, including the current director nominees, when determining whether that person should serve as a director of the Company. In keeping with its stated criteria for director nominees described in the section entitled Consideration of Director Nominees above, the Nominating Committee determined that each director, including the current director nominees, has substantial management experience, exhibits the highest personal values, judgment and integrity, and possess an understanding of the environment in which the Company does business and diverse experience with the key business, financial and other challenges that the Company faces. Each director is or has been a leader in their respective field and brings diverse talents and perspectives to the Board. The Nominating Committee also considered the experience and qualifications outlined below in the biographical information for each director, including each director nominee, as well as other public company board service.

The Nominating Committee noted the following particular attributes and qualities it considers when evaluating director nominees. The Nominating Committee believes that nominees with business and strategic management experience gained from service as a CEO or similar positions is a critical leadership component to Board service. The Nominating Committee also seeks nominees with backgrounds in finance, banking, economics, and the securities and financial markets, in order to have directors who can assess and evaluate the Company s financial and competitive position. The Nominating Committee emphasizes familiarity with the real estate and agricultural industries, and considers customer perspectives to be important when evaluating director nominees. Although the directors listed below each possess a number of these attributes, the Nominating Committee considered the specific areas noted below for each director when determining which of the director s qualifications best suited the needs of the Company and qualify them to serve as a director of the Company.

The following table sets forth information regarding the Class I Directors, the nominees for Class II Directors, and the Class III Directors.

| **Nominees for Class II Directors Whose Terms Expire in 2013 and Principal Occupation, Employment, or Directorships** | **First Became Director** | **Age** |
|---|---|---|
| Barbara Grimm-Marshall | 2006 | 57 |
| Ms. Grimm-Marshall has been co-owner of Grimmway Enterprises, the world s largest grower, packer and shipper of fresh, processed and frozen carrots, since 1977. Ms. Grimm-Marshall has also served as a director of Grimmway Enterprises since 1998. Grimmway Enterprises also has real estate investments and developments throughout California. Ms. Grimm-Marshall served as a director for Diamond Farming Inc. from 1998 and as director for Crystal Organic Farms LLC from 2003. Ms. Grimm-Marshall received a B.A. degree from Stephens College and a J.D. from Western State University. Our Board believes Ms. Grimm-Marshall s experience within the agribusiness community and co-owner of companies with extensive land holdings, make her qualified to serve as a director. | | |
| George G.C. Parker | 1999 | 71 |
| Mr. Parker is a Dean Witter Distinguished Professor of Finance, Graduate School of Business, Stanford University. Mr. Parker has served in this position from 1973 to the present. Mr. Parker has served as a director of Netgear Inc. since 2006, as a director of Threshold Pharmaceuticals from 2002, as a director of iShares Mutual Fund since 1996, and as a director of Colony Financial, Inc. since 2009. Mr. Parker also formerly served as a director of Continental Airlines from 1996 until 2009. Mr. Parker received a B.A. from Haverford College, and an M.B.A. and PH.D. from Stanford University. Our Board believes Mr. Parker s finance background and perspective from serving on various other Boards of Directors makes him qualified to serve as a director. | | |
| Robert A. Stine | 1996 | 63 |
| Mr. Stine has been employed as the President and Chief Executive Officer of Tejon Ranch Co. since May 1996. Mr. Stine has served as a director of Pacific Western Bancorp since 1996 and as a director of Valley Republic Bank since 2008. Mr. Stine also formerly served as a director of The Bakersfield Californian from 1999 until 2009. Mr. Stine received a B.S. from St. Lawrence University and an M.B.A. from the Wharton School of Business, University of | | |

Pennsylvania. Our Board believes Mr. Stine s extensive real estate development background and his strategic and operational insight from managing the Company make him qualified to serve as a director.

| Class III Directors Whose Terms Expire in 2011 and Principal Occupation, Employment or Directorships | | |
|---|---|---|
| John L. Goolsby | 1999 | 68 |
| Mr. Goolsby served as President and Chief Executive Officer of Howard Hughes Corporation from 1988 until his retirement in 1998. Howard Hughes Corporation was a real estate investment and development company that successfully developed several large scale real estate projects in Nevada and California, the largest being the Summerlin community in Las Vegas, Nevada. Mr. Goolsby currently serves as a director of Thomas Properties and has done so since 2006. Mr. Goolsby formerly served as a director of America West Airlines from 1994 until 2005 and Sierra Pacific Corporation and its predecessor, Nevada Power Company from 1989 until 2001. He served as a Trustee of The Donald W. Reynolds Foundation from 1994 until 2005. Mr. Goolsby received a B.B.A. from the University of Texas at Arlington and is a certified public accountant in Texas. Our Board believes Mr. Goolsby s extensive real estate experience and Chief Executive Officer experience of a major real estate land and development company make him well qualified to serve as director. | | |
| Norman Metcalfe | 1998 | 67 |
| Mr. Metcalfe has an extensive history and background in real estate development and homebuilding. He previously was Vice Chairman and Chief Financial Officer of The Irvine Company, one of the nation s largest real estate and community development companies. Prior to the Irvine Company, Mr. Metcalfe spent over 20 years in various real estate, corporate finance and investment positions with the Kaufman and Broad/SunAmerica family of companies. These positions included President and Chief Investment Officer of SunAmerica Investments and Chief Financial Officer of Kaufman and Broad Home Corporation (currently known as KB Homes). Mr. Metcalfe is a director of The Ryland Group having served since 2000, and previously served as a director of Building Materials Holding Corp from 2005 until 2009. Mr. Metcalfe received a B.S. and an M.B.A. from the University of Washington. Our Board believes Mr. Metcalfe s extensive financial experience, understanding of capital structure within the real estate industry, and experience in publicly held companies, make him very qualified to serve as a director. | | |
| Kent G. Snyder | 1998 | 73 |
| Mr. Snyder is an attorney that has been practicing law for over 44 years with a specialty in real estate transactions. Mr. Snyder has served as a director and chairman of the board of Independence Bank from 2004 to the present, served as a director of Pacific Premier Bancorp and Pacific Premier Bank from November 2000 until March 2007 and served as a director and chairman of the board of First Fidelity Investment & Loan form 1984 until 2002 when the Bank was sold. Mr. Snyder received a B.S. in Business Administration from UCLA, and received his J.D. (with honors) from UCLA. Our Board believes Mr. Snyder s vast experience in real estate law and real estate transactions as well as his extensive participation in banking make him very qualified to serve as a director. | | |

| Class I Directors Whose Terms Expire in 2012 and Principal Occupation, Employment, or Directorships | First Became Director | Age |
|---|---|---|
| Geoffrey L. Stack | 1998 | 66 |
| Mr. Stack has been the managing director of the Sares-Regis Group, a commercial and residential real estate development and management firm since 1993. Mr. Stack is responsible for all residential operations of Sares-Regis including development, acquisitions, finance, and management activities. Mr. Stack graduated from Georgetown University and received an M.B.A. in Real Estate Finance at the Wharton School, University of Pennsylvania. Our Board | | |

believes Mr. Stack s real estate development experience and his experience as the managing director of a real estate company make him well qualified to serve as a director.

Michael H. Winer 2001 54

Mr. Winer has been employed by Third Avenue Management LLC (or its predecessor) since May 1994. He is a senior member of the investment team and a member of the firm s Management Committee. Mr. Winer has managed the Third Avenue Real Estate Value Fund since its inception in September 1998. Mr. Winer has served as a director of Newhall Holding Company LLC since 2008 and as a director of 26900 Newport Inc. since 1998. He retired as a director of Real Mortgage Systems in November 2009. Mr. Winer received a B.S. degree in Accounting from San Diego State University and is formerly a certified public accountant in California. Mr. Winer s investment industry background and specifically his experience with real estate investing, we believe make him very qualified to serve as a director on our Board.

Each of the directors has been engaged in his principal occupation, as well as, the directorships described above, for the past five years. None of the corporations or organizations described above are subsidiaries, or other affiliates, of the Company. There are no family relationships among any directors of the Company or any executive officers of the Company.

**Committees of the Board and Corporate Governance Matters**

The Board has determined that all directors, except Mr. Stine, are independent, as that term is defined in the listing standards of the New York Stock Exchange (the NYSE ). In addition to the definition of independent as set forth in the listing standards of the NYSE, the Board has adopted categorical criteria used to determine whether a director is independent (the Company s Independence Standards ), and the Board has determined that all directors, except Mr. Stine, are independent under the Independence Standards. These Independence Standards are set forth in Attachment A to the Company s Corporate Governance Guidelines (the Corporate Governance Guidelines ), and a copy of the Independence Standards are attached as Appendix A to this Proxy Statement.

The independent directors of the Board meet regularly in executive sessions outside the presence of management. The Board has appointed Mr. Snyder as the lead independent director to preside at executive sessions of the independent directors.

During 2009, there were four meetings of the Board. During 2009 all directors attended 75% or more of the aggregate total of such meetings of the Board and committees of the Board on which they served.

The Company s policy is that all directors are expected to attend every annual stockholders meeting in person. All directors attended the 2010 Annual Meeting of the Company.

Standing committees of the Board include the Executive, Audit, Compensation, Real Estate, and Nominating and Corporate Governance Committees. The members of the standing committees are set forth below:

| | Executive Committee | Audit Committee | Compensation Committee | Real Estate Committee | Nominating and Corporate Governance Committee |
|---|---|---|---|---|---|
| John L. Goolsby | | X | X | X | X |
| Barbara Grimm-Marshall | | X | | X | X |
| Norman Metcalfe | X | | X | X(Chair) | |
| George G.C. Parker | | X(Chair) | X | | X(Chair) |
| Kent G. Snyder | X(Chair) | | | X | |
| Geoffrey L. Stack | | X | X(Chair) | X | X |
| Robert A. Stine | X | | | X | |
| Michael H. Winer | X | | | | |

During 2009, there were no meetings of the Executive Committee, seven of the Audit Committee, four of the Compensation Committee, one of the Real Estate Committee, and one of the Nominating Committee. The major functions of each of these committees, including their role in oversight of risks that could affect the Company, are described briefly below.

***The Executive Committee***

Except for certain powers that, under Delaware law, may be exercised only by the full Board, or which, under the rules of the Securities and Exchange Commission (the SEC ) or the NYSE, may only be exercised by committees composed solely of independent directors, the Executive Committee may exercise all powers and authority of the Board in the management of the business and affairs of the Company. Messrs. Metcalfe, Snyder, Stine, and Winer are members of the Executive Committee. Mr. Snyder is the Chairman of the Executive Committee.

***The Audit Committee***

The Audit Committee acts on behalf of the Board in fulfilling the Board s oversight responsibility relating to the Company s financial statements and the financial reporting process, the systems of internal accounting and financial controls, risk oversight of financial activities, the annual independent audit of the Company s financial statements, and the legal compliance and ethics programs as established by management and the Board. In addition, the Audit Committee is directly responsible for the retention of the independent auditor and approves the scope of all audit and non-audit services it performs. The Audit Committee provides the full Board with summary reviews of meetings at each Board of Director meeting. The Audit Committee is governed by a written charter adopted and approved by the Board. Mr. Parker is the Chairman of the Audit Committee, and Ms. Grimm-Marshall, and Messrs. Goolsby and Stack are members of the Audit Committee. The Board has determined that each member of the Audit Committee is independent under the listing standards of the NYSE and under the Company s Independence Standards, and that each member of the Audit Committee is financially literate and meets the requirements for Audit Committee Membership set forth in Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ). The Board has further found that Mr. Parker qualifies as an audit committee financial expert for the purposes of Item 407(d) (5) of Regulation S-K, and has accounting or related financial management expertise as described in the listing standards of the NYSE. The Audit Committee s charter is available on the Company s web site, www.tejonranch.com, in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

***The Compensation Committee***

The Compensation Committee reviews and either adjusts or recommends to the Board appropriate adjustments to the Company s overall compensation structure, the compensation arrangements for executive officers, and director compensation, and evaluates the performance of executive officers. The Compensation Committee s charter is available on the Company s web site, www.tejonranch.com, in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243. Mr. Stack is the Chairman of the Compensation Committee, and Messrs. Goolsby, Metcalfe, and Parker are members of the Compensation Committee. The Board has determined that each member of the Compensation Committee is independent under the listing standards of the NYSE and under the Company s Independence Standards.

In 2009 the Compensation Committee engaged Mezrah Consulting as an outside compensation consultant, to assist the Compensation Committee in evaluating near-term stock grant compensation. The decision to engage the outside compensation consultant was not recommended by management. The Compensation Committee approved the services; the outside compensation consultant s fees in 2009 were less than $10,000.

***The Real Estate Committee***

The Real Estate Committee reviews all significant activities and issues related to the Company s real estate assets and opportunities. It receives and considers the analyses of the Company s real estate staff and provides management with oversight, guidance and strategic input on major decision points. It reviews and either approves or recommends to the Board appropriate action on significant proposed real estate transactions, development *pro formas* and budgets, and action plans. The Real Estate Committee also evaluates risk as it relates to real estate plans, activities, and transactions. It provides the full Board with updates of meetings when appropriate at each Board meeting. Mr. Metcalfe is the Chairman of the Real Estate Committee, and Ms. Grimm-Marshall and Messrs. Goolsby, Snyder, Stack, and Stine are members of the Real Estate Committee. The Real Estate Committee s charter is available on the Company s web site, www.tejonranch.com, in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

***The Nominating and Corporate Governance Committee***

The Nominating Committee is charged with evaluating the performance of existing directors, identifying and recruiting potential new directors, evaluating candidates for director positions recommended by stockholders, and recommending candidates to be nominated by the Board or elected by the Board on an interim basis. It also reviews and makes recommendations to the Board respecting the composition and functioning of Board committees, the Corporate Governance Guidelines, and the Board s performance. Mr. Parker is the Chairman of the Nominating Committee, and Ms. Grimm-Marshall, and Messrs. Goolsby and Stack are members of the Nominating Committee.

The Board has determined that each member of the Nominating Committee is independent under the listing standards of the NYSE and under the Company s Independence Standards. The Nominating Committee s charter is available on the Company s web site, www.tejonranch.com, in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

The Nominating Committee is pleased to consider any properly submitted recommendations of director candidates from stockholders. Stockholders may recommend a candidate for consideration by the Nominating Committee by sending written notice addressed to the Nominating and Corporate Governance Committee Chair, c/o Corporate Secretary, P.O. Box 1000, Lebec, California 93243. The Nominating Committee does not evaluate candidates differently based on who has made the recommendation. Stockholders may also nominate persons for election to the Board by providing to timely notice in writing to the Secretary of the Company pursuant to the procedures set forth in the Company s Certificate of Incorporation. See Stockholder Proposals for 2011 Annual Meeting for additional information on the procedure for stockholder nominations.

The Nominating Committee has the authority under its charter to hire and pay a fee to outside counsel, experts or other advisors to assist in the process of identifying and evaluating candidates. No such outside advisors have been used to date and, accordingly, no fees have been paid to such advisors.

**Code of Business Conduct and Ethics and Corporate Governance Guidelines**

The Board has adopted a Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees. It also has adopted Corporate Governance Guidelines to guide its own operations. Both documents are available on the Company web site, www.tejonranch.com, in the Corporate Governance section of the Investor Relations webpage, and are available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

**Board s Role in Risk Oversight**

The full Board oversees the Company s risk management process. The Board oversees a Company-wide approach to risk management, designed to enhance stockholder value, support the achievement of strategic objectives and improve long-term organizational performance. The full Board determines the appropriate level of risk for the Company generally, assesses the specific risks faced by the Company and reviews the steps taken by management to manage those risks. The full Board s involvement in setting the Company s business strategy facilitates these assessments and reviews, culminating in the development of a strategic plan that reflects both the Board s and management s consensus as to appropriate levels of risk and the appropriate measures to manage those risks. The full Board assesses risk throughout the enterprise, focusing on risks arising out of various aspects of the Company s strategic plan and the implementation of that plan, including financial, legal/compliance, operational/strategic and compensation risks. In addition to discussing risk with the full Board, the independent directors discuss risk management during executive sessions without management present.

While the full Board maintains the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, the Audit Committee focuses on financial risk, including internal controls, and discusses the Company s risk profile with the Company s internal auditors. The Audit Committee also reviews potential violations of the Company s Code of Ethics and related corporate policies. The Compensation Committee periodically reviews compensation practices and policies to determine whether they encourage excessive risk taking. Finally, the Nominating Committee manages risks associated with the independence of directors and Board nominees. Pursuant to the Board s instruction, management regularly reports on applicable risks to the relevant committee or the full Board, as appropriate, with additional review or reporting on risks being conducted as needed or as requested by the Board and its committees.

**COMPENSATION DISCUSSION & ANALYSIS**

The Compensation Discussion and Analysis discusses and analyzes Tejon s executive compensation program and the amounts shown in the executive compensation tables for our named executive officers. Our named executive officers for fiscal 2009 were: Robert A. Stine, Chief Executive Officer; Allen E. Lyda, Chief Financial Officer; Joe Drew, Senior Vice President, Real Estate; Teri Bjorn, Senior Vice President, General Counsel; and Kathleen Perkinson, Senior Vice President, Natural Resources and Stewardship.

2009 Year in Review

Overall, 2009 was a down financial performance year for the Company. We saw 2009 revenues decline and segment operating profits decline when compared to 2008. For 2009, we had a net loss of $3,724,000 compared to net income of $4,112,000 in 2008. The loss for the year resulted from decreased commercial/industrial revenues, a decline in equity in earnings of unconsolidated joint ventures and reduced other income. These declines were partially offset by lower operating expenses in our real estate segments and in corporate operations. The primary driver of 2009 s decline in revenue is a reduction in commercial/industrial revenues of $12,238,000. The absence of sales of developed and undeveloped land in 2009 ($6,220,000), lower oil and mineral royalties due primarily to lower commodity pricing ($4,133,000), and a decline in percentage rent from our power plant lease ($496,0000) accounted for the majority of the decline in commercial/industrial revenue. The decline in equity in earnings of unconsolidated joint ventures is the result of a decrease in earnings from the TA/Petro joint venture due to lower operating margins and higher interest costs, and a decrease in earnings of our Five-West Parcel joint venture as the building it owns and leases was partially vacant during the year. The overall drop in revenue was partially offset by reduced compensation costs across all operating segments as well as corporate operations and to the absence of cost of sales on land during 2009.

The decline in revenues along with master infrastructure development, and increased capital contributions to joint ventures during 2009 led to the annual cash flow metric being below target but greater than threshold. This metric is described below in the Annual Performance-Based Incentive Bonus section as well as revenue and operating profit goals for commercial/industrial real estate and farming. However, due to the loss for the year, increased joint venture capital contributions, and water purchases over the last two years the named executive officers failed to meet the 2007 rolling three-year cash flow objectives and because of this, none of the associated 2007 performance grants will be paid out during 2010.

For 2009 the Compensation Committee made the following decisions:

1. To not increase base salary for the Chief Executive Officer and the other named executive officers; and

2. To implement an annual stock incentive plan in lieu of an annual cash incentive program.

2010 The Year Ahead

The Company believes 2010 will continue to be a very challenging economic environment as we expect reduced activity at our Tejon Industrial Complex development. The anticipation of little or no growth in revenue during 2010, along with capital investment requirements for infrastructure at Tejon Industrial Complex, water purchases, and capital contributions to joint ventures, will continue to impact the Compensation Committee s compensation decisions in order to conserve cash going forward.

For 2010 the Compensation Committee made the following decisions:

1. To not increase base salary for the Chief Executive Officer and the other named executive officers; and

2. To continue with an annual stock incentive plan in lieu of an annual cash incentive program.

**General Objectives of the Compensation Plan.** The compensation program for our named executive officers is designed to align management s incentives with the long-term interests of our stockholders and to be competitive with comparable employers. Our compensation philosophy recognizes the value of rewarding our named executive officers for their past performance and motivating them to continue to excel in the future. The Compensation Committee has developed and maintains a compensation program that rewards superior performance and seeks to encourage actions that drive our business strategy. Our compensation strategy is to provide a competitive opportunity for senior executives taking into account their total compensation packages, which include a combination of base salary, an annual cash-based or stock-based incentive bonus, and long-term performance-based equity awards. At the named executive officer level, our incentive compensation arrangements are designed to reward the achievement of long-term milestone objectives related to real estate development, as well as the achievement of year-to-year operating performance goals.

**The Role of Executives in Setting Compensation.** The Compensation Committee of the Board approves all compensation and awards to senior management, including the Chief Executive Officer and the other named executive officers. The Compensation Committee independently reviews and establishes the compensation levels of the Chief Executive Officer and reviews the performance of the Chief Executive Office and discusses his performance with him. At the beginning of the year the Chief Executive Officer works with the Compensation Committee to establish goals and objectives to be evaluated throughout the year. For the remaining executive officers, the Chief Executive Officer makes recommendations as to compensation levels, including grants of equity awards, for final approval by the Compensation Committee, which then makes its recommendation to the full Board of Directors for its approval.

**Overall Compensation Plan Design.**

The compensation policies developed by the Compensation Committee are based on the philosophy that compensation should reflect both financial and operational performance of the Company and the individual performance of the executive. The Compensation Committee also believes that long-term incentives should be a significant factor in the determination of compensation, particularly because the business of real estate development, including obtaining entitlement approvals and completing development, and many of the other actions and decisions of our named executive officers, require a long time horizon, even in times when the economy and the real estate industry are not in decline, before the Company realizes a tangible financial benefit.

The Compensation Committee s objectives when setting compensation for our named executive officers are:

Set compensation levels that are sufficiently competitive such that they will motivate and reward the highest quality individuals to contribute to our goals, objectives and overall financial success.

Retain executives and encourage continued service. The Compensation Committee seeks to encourage and maintain continuity of the management team.

Incentivize executives to appropriately manage risks while attempting to improve our financial results, performance and condition over both the short-term and the long-term. The Compensation Committee attempts to provide both short-term and long-term compensation to reward current performance, as well as to provide financial incentive to achieve long-term goals. Short-term compensation is typically in the form of annual cash or stock incentive bonuses, and long-term compensation is typically in the form of equity-based awards. Because of the current condition of the economy, the nature of our business and the way we operate our business and implement our strategies, we may not witness the positive results of many decisions made or actions taken by our named executive officers, in the current fiscal year or for several years. Accordingly, the Compensation Committee, by providing both short-term and long-term compensation, seeks to motivate and reward named executive officers for decisions made today that will likely have positive long-term effects.

Align executive and stockholder interest. The Compensation Committee believes that the use of equity compensation as a key component of executive compensation is a valuable tool for aligning the interest of our named executive officers with those of our stockholders.

Obtain tax deductibility whenever appropriate. The Compensation Committee believes that tax-deductibility for the Company is generally a favorable feature for an executive compensation program, from the perspectives of both the Company and the stockholders.

Conserve cash. The Compensation Committee, mindful of the downturn in the economy and the real estate industry, determined that all named executive officers annual incentive bonuses for fiscal 2009 performance, and going forward for an unspecified period of time, will be paid to each named executive officer in the form of stock grants. Stock grants in respect of the 2009 annual incentive program were granted in December 2009 and will vest in three annual installments of one third each beginning March 2010 and ending in March 2012.

**Elements of Compensation.** The material elements of the compensation program for our named executive officers include: (i) base salary; (ii) annual cash-based or stock-based incentive bonuses; (iii) long-term equity-based compensation (i.e. performance units); (iv) change in control arrangements; and (v) other compensation consisting of participation in broad-based pension and benefit plans, participation in supplemental executive retirement and nonqualified deferred compensation plans and executive perquisites.

**Base Salaries.** Tejon provides its named executive officers with a level of assured cash compensation in the form of base salaries, which the Compensation Committee believes are appropriate given the named executive officers professional status, accomplishments, responsibilities and importance to the business. The Compensation Committee believes (based on the individual business experiences and general industry knowledge of its members) that current base salaries for each of the named executive officers are below market for comparable positions. The Compensation Committee establishes base salaries at levels it believes to be below those of comparable companies in order to conserve cash to meet long-term business goals and to further our compensation strategy of favoring variable pay over fixed pay. We are able to pay our named executive officers lower base salaries than comparable companies, and still attract and retain highly qualified executives, because of the performance-based incentive compensation opportunities that we offer. We believe that having the overall compensation emphasis on long-term equity incentives instead of short-term cash compensation better aligns management with stockholders.

For 2009, the Compensation Committee determined to keep the 2009 base salary for our Chief Executive Officer at $500,000. The Compensation Committee believes that the total compensation package for the Chief Executive Officer, including base salary, is competitive with the market and the Company s current stage within the land development process. In making the decision to maintain the Chief Executive Officer s base salary at $500,000 the Compensation Committee factored in the current economic environment, the decline within the real estate industry and how these factors can impact current compensation levels. During April 2009, the Chief Executive Officer, with the approval of the Compensation Committee, took a voluntary $50,000 reduction in salary as a part of a cost reduction program instituted within the Company. For 2010 the Chief Executive Officer s annual base salary will remain at $450,000.

For the other named executive officers, the Compensation Committee, with input from the Chief Executive Officer, held base salaries at 2008 levels in 2009. The Compensation Committee also determined in December 2009 to not increase the salaries for other named executive officers for 2010. The Compensation Committee along with the Chief Executive Officer did perform an annual review of each named executive officers compensation and evaluated possible changes to base salary but due to the decline in the economy and the real estate industry, decided it was best for the Company to maintain base salaries at prior year levels. The decisions made for both the Chief Executive Officer and the other named executive officers to keep base salaries flat with the prior year and also for 2010 fit with the Company s objective of conserving cash expense during this tough economic environment so that more cash is available for necessary capital investment.

**Annual Performance-Based Incentive Bonuses.** Tejon s practice is to award annual incentive bonuses based upon the achievement of performance objectives established at the beginning of each year. The Chief Executive Officer and the other named executive officers recommend to the Compensation Committee performance objectives, both quantitative and qualitative, that will best move the Company forward to achieve the cash flow, land entitlement, land development, and land conservation goals established in each year s five-year business plan. The Compensation Committee then reviews and approves these annual goals. Each named executive officer has a different weighting as between qualitative and quantitative measures based upon areas of emphasis that the Compensation Committee believes are important for the particular named executive officer to focus on in the context of achieving the Company s long-term strategic goals and creating stockholder value. During fiscal 2009, the Compensation Committee, mindful of the downturn in the economy and the real estate industry, determined that all named executive officers annual incentive bonuses for fiscal 2009 performance, and going forward for an unspecified period of time, will be paid to each named executive officer in the form of stock grants. The first grants under this program occurred in December 2009. Vesting will occur in three installments, one-third each year, beginning in March 2010 and ending in March 2012. To account for the delay in receiving the full incentive (the stock grants are not fully vested until March 2012, whereas cash bonuses would have been paid in full in March 2010) and the fact that each named executive officer must stay with the Company through March 2012 to receive a full incentive payout, the Compensation Committee decided to increase the value of the stock grants by a multiple of 1.19 as compared to the cash awards that would have been otherwise payable under the cash-based annual incentive program for 2009.

The following chart provides the performance level weightings for the Chief Executive Officer and the other named executive officers. Each of the performance level weighting categories shown in the chart must total 100% within the category and then each category is given a percentage weighting so that the four categories total 100%.

| | Robert A. Stine - Chief Executive Officer | Allen E. Lyda - Chief Financial Officer | Joseph E. Drew - SVP Real Estate | Teri Bjorn - VP-General Counsel | Kathleen Perkinson - SVP-Natural Resources |
|---|---|---|---|---|---|
| **Quantitative Measurements Corporate:** | | | | | |
| Cash provided from operations less cash used for capital investment | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Performance Level Total Weighting** | **15.00%** | **30.00%** | **7.50%** | **10.00%** | **10.00%** |
| **Division Quantitative Measurements:** | | | | | |
| Division revenues | 0.00% | 0.00% | 40.00% | 0.00% | 0.00% |
| Division net operating income | 0.00% | 0.00% | 60.00% | 0.00% | 100.00% |
| **Performance Level Total Weighting** | **0.00%** | **0.00%** | **30.00%** | | |